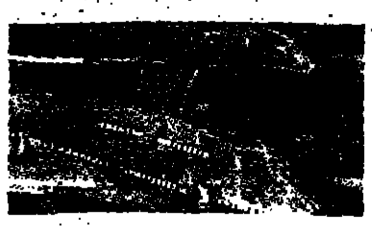

The competitive edge
US industry cautiously regains its confidence
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FINANCIAL TIMES

Europe's Business Newspaper | MONDAY DECEMBER 21 1992 | D8523A

Yeltsin wins deal to keep reform team in cabinet

The core of Boris Yeltsin's economic reform team will remain in the Russian cabinet after an agreement with new prime minister, Viktor Chernomyrdin. Mr Yeltsin had cut short his China visit to ensure that reformers were not dismissed and that the cabinet retained its commitment to market reforms. However, Mr Chernomyrdin warned: "The market alone is not a panacea." Page 14

Waigel backs rate cut: Germany's finance minister advocated a cut in German interest rates to revive the economy, but said reduction in public spending would also be necessary. Page 14

Time Warner chief dies: Time Warner chairman and co-chief executive Steven Ross, who oversaw the 1989 merger of Warner Communications and Time Inc, died aged 65 after a battle against prostate cancer.

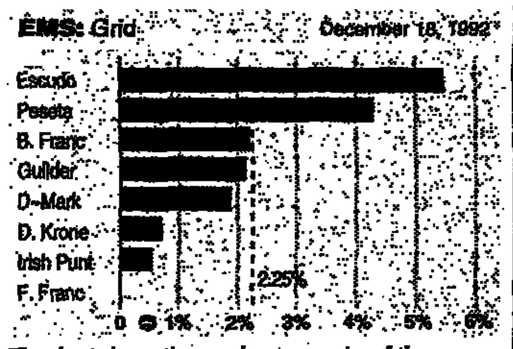
Honda and Isuzu, Japanese carmakers, are to sell each other's vehicles, marking a further consolidation of Japan's car industry. Page 15

Serbian poll controversy: Allegations of foul play dogged presidential and parliamentary elections in Serbia in which President Slobodan Milosevic is fighting off a challenge from Yugoslav prime minister Milan Panic. Page 14

Troops seize Somali port: About 300 seaborne US and Belgian troops won control of the southern Somali port of Kismayu from gunmen who have pillaged food relief. Picture, Page 4

Blow to Taipei's rulers: Taiwanese voters dealt a blow to the ruling Kuomintang party in parliamentary elections, reducing the party's majority to 53 per cent after 43 years of virtually unchallenged rule. Page 4

European monetary system: The French franc remains at the bottom of the ERM in spite of the strength of France's economy. Selling last week was countered by intervention from the French central bank which, by the end of the week, seemed to have cooled the devaluation threat. However, most economists believe speculators will return in the new year to test the French government's resolve. Meanwhile, pressure on the Irish punt and Danish krone remains, although the krone received support from the Belgian and Dutch central banks. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Nedlloyd, Dutch transport group, is poised for battle with its shareholder Thorsten Hagen. Mr Hagan was asked to quit the supervisory board after he urged the company to consider radical changes to its board selection process. Page 15

Lloyd's of London: The capital base at the insurance market is expected to shrink by at least 15 per cent next year to £8.5bn ($13bn) because of heavy underwriting losses. Page 5

Both sides claim victory: A Singaporean by-election was described by the ruling People's Action party as a "resounding endorsement", but by the fledgling opposition as the start of two-party politics on the island. Page 4

White farms under guard: South African police put an armed guard on farms adjoining Lesotho after a teenage girl died and five whites were wounded in a grenade attack. The assailants fled across the border. De Klerk purge, Page 4

UN peacekeepers released: Khmer Rouge guerrillas in Cambodia released 11 UN peacekeepers who had been kidnapped and threatened with execution in the fourth such incident this month.

Isosceles, the heavily indebted parent of the UK Gateway food retail chain, is to appoint David Simons as group chief executive this week. His appointment should coincide with an agreement to defer interest payments. Page 15

CBOT rejects trading facility: Members of the Chicago Board of Trade have defeated a plan to build a trading facility on property adjacent to the LaSalle Street futures exchange, on the grounds that the $150m proposal was too costly. Page 17

S Korean opposition divided: Opposition parties have been thrown into disarray by the victory of Kim Young-sam in Friday's presidential elections. Page 4; Editorial Comment, Page 12

Latin American inflation in check: Most of Latin America experienced strong growth and greater price stability during 1992, with the main exception of Brazil. Page 2

SME, Italian state-owned foods, catering and retailing slated for privatisation, sold control of its Adams sweets and candies subsidiary to Parke-Davis of the US. Page 17

No-fly zone to be enforced and new package of sanctions imposed

US and UK raise Bosnia stakes

By Philip Stephens, Political Editor, in Washington

THE US and Britain last night agreed to increase the international pressure on Serbia with a jointly sponsored United Nations resolution to allow military enforcement of the no-fly zone over Bosnia and a package of new sanctions against Belgrade.

But in a compromise between the hardline position of the US and the much more cautious British stance, Mr John Major, the prime minister, and outgoing president George Bush acknowledged that there would be a warning period before Serbian aircraft violating the zone would be shot down.

After weekend talks with Mr Major at Camp David, Mr Bush returned to Washington emphasising that the US shared Mr Major's concern not to put at risk UK and other ground forces serving with the UN humanitarian operation in Bosnia. Washington was "very sensitive" to the threat to ground forces: "We must be careful that we do not needlessly put young men and women there in harm's way," Mr Bush said.

Mr Bush and Mr Major also warned Serbia that it risks "isolation for years to come".

In a joint statement issued by the two leaders, they said the aim of the resolution "would be to prevent flights taking place other than those specifically authorised by the United Nations."

The statement acknowledged that "many more lives will be lost this winter" if the humanitarian effort were halted. They also agreed that the UN presence in Macedonia and Kosovo should be stepped up to prevent the spread of fighting in the regions. New sanctions against Serbia could include initially the severing of postal and communications links and might also lead to "closing the borders and complete diplomatic isolation for some years to come."

British prime minister John Major has failed to win US president George Bush's approval for British Airways' bid for a 44 per cent stake in USAir. After talks between the two, British officials said they doubted the bid would be approved before its expiry date on Christmas Eve

Background, Page 2

Senior US and UK officials said they expected the UN resolution providing for military enforcement should be agreed within a few days, probably before Christmas. Mr Bush, who spoke yesterday morning to Mr Boris Yeltsin, the Russian president, said he was confident Moscow would not block it.

The two leaders said the length of the warning period before Serbian aircraft would risk being shot down would be decided at the UN. Mr Major dismissed as without "credibility" reports that it had been decided the period would last for 15 days. One suggestion was that it might run until the inauguration of Bill Clinton on January 20.

Mr Major's reluctance to see any escalation in the military conflict in Bosnia was reflected in the refusal of his officials to discuss the terms under which the no-fly zone would operate. He said: "We've got a lot of discussing to do before we determine how the deadline is going to be enforced. We agreed that it is necessary to enforce the no-fly zone. There is more than one way of doing that."

But Mr Lawrence Eagleburger, the US secretary of state, suggested after the Camp David talks that the US favoured still more decisive action. He indicated that the warning period would allow western ground forces to prepare for possible Serbian retaliation. The US has also drawn up contingency plans to bomb Serbian airports.

Mr Major said that the "paramount importance" of retaining the security of ground forces and aid workers should underpin the UN resolution. He hopes that the deterrent effect will keep Serbian aircraft grounded.

End of an era, Page 2
Serbs go to the polls, Page 14

Japan cuts growth forecast to 1.6%

By Robert Thomson in Tokyo

THE Japanese government yesterday belatedly revised down its growth forecast for the current fiscal year from 3.5 per cent to 1.6 per cent, but announced a target of 3.3 per cent growth in gross national product next year.

A cabinet meeting approved the official estimates, prepared by Japan's Economic Planning Agency, which also revised upwards the trade surplus estimate from $96.5bn to $136bn for the current year to the end of March.

For next year, the trade account surplus was forecast at $135bn, giving the US and the European Community scope to make complaints that the Japanese market remains partly closed to their products and that Tokyo has not done enough to stimulate domestic demand.

The EPA has been attacked by business organisations for "over-optimistic" forecasts which slowed the government response to the decline in the economy, but the agency is confident that a recovery will gather strength next year. It does, however, decline to predict exactly when the recovery will begin.

Mr Haruhito Arai, senior assistant to the EPA's director, conceded that the forecast for next year "is, in a sense, optimistic", but said it was justified because capital spending would rise by an estimated 2.4 per cent, after a fall of 3.8 per cent this year.

The importance of export growth in this year's expansion of GNP is an embarrassment for the government, which has a formal policy of encouraging domestic demand to reduce the trade surplus. For the first time since 1980, growth this year in external demand (0.8 per cent) is expected to exceed that of internal demand (0.7 per cent) as a contributor to the growth of gross national product.

Japan's current account surplus this fiscal year is estimated at $116.5bn, up from a previously modest estimate of $71bn, while the surplus next year is forecast to be a still imposing $115.5bn, under the influence of the large trade surplus.

"The issue at hand is how to shift smoothly to a sustainable

Continued on Page 14

Israel rejects call to halt expulsions

By Hugh Carnegy in Jerusalem

ISRAEL rejected international demands to reverse the deportation of 415 Palestinians trapped in south Lebanon yesterday and issued a sharp warning to the government in Beirut not to attempt to push them back into Israeli-held territory.

As the deportees pledged to remain in their makeshift camp in no-man's land between the Israeli and Lebanese armies until they can return home, Israeli forces shot dead seven Palestinians, including a nine-year old girl, in the occupied West Bank and Gaza Strip over the weekend. The toll of six dead in Gaza on Saturday was the highest in a single day for more than two years.

The Israeli cabinet yesterday reaffirmed the decision to deport the alleged Islamic fundamentalist militants, taken after six soldiers had been killed in a recent spate of armed attacks by the Hamas Islamic Resistance Movement.

Israeli government ministers rejected a unanimous resolution passed by the United Nations Security Council on Friday condemning the action and demanding it be rescinded.

The government also strongly contested a High Court petition by civil rights lawyers seeking a reversal of the expulsions on the grounds that Israel was responsible for their fate in the absence of a jurisdiction willing to accept them. The court, which last Wednesday gave the go-ahead for the expulsions, is expected to rule today.

An angry stand-off has developed between Israel and Lebanon over the deportees. Mr Rafik al-Hariri, the Lebanese Prime Minister, reiterated his government's insistence that they should return to Israel.

He added: "There is absolutely no way we will change our position. Never. Ever. Lebanon is not a dumping ground."

Mr Yitzhak Rabin, his Israeli counterpart, replied by saying the deportees were now the responsibility of Beirut.

He continued: "It will be a mistake to try to push them back into our area. It will be a major mistake."

The government has won strong public backing in Israel for the expulsions, which covered many academics and professionals which the security forces alleged were the "brains" behind Hamas.

Government officials, however, acknowledged that the plight of the deportees, who are huddled in tents in freezing winter conditions in the Lebanese hills, had caused serious damage to what had previously been strong international support for Mr Rabin, particularly in the US and Europe.

Fears that the deportations could halt Middle East peace talks were underscored by moves by the Palestine Liberation Organisation, which backs the talks, to reconcile its differences with Hamas, which opposes them, at a proposed meeting in Tunis this week. Israel says its action against Hamas is meant to strengthen those Palestinians backing the peace talks, but the PLO says it will not return to the talks unless Israel reverses the deportations.

Israeli forces kept up a rigid security regime in the occupied territories over the weekend to try to contain protests. The killings in Gaza occured when a week-long curfew was lifted for two hours in Khan Younis refugee camp. Much of Gaza remains under curfew. The strip and most of the West Bank is sealed off from Israel.

Mr Rabin will today meet the leader of Tsomet, a small far-right party, to discuss its request to entry into the Labour-led coalition. The right-wing opposition parties all applauded the deportations.

Palestinians expelled by Israel and barred from entering Lebanon wash their clothes in an icy stream in no man's land

Independent French central bank proposed by opposition

By William Dawkins in Paris

FRANCE'S centre-right UDF party will put forward plans early next year to grant independence to the French central bank, the strongest indication yet of the French opposition's commitment to the defence of the embattled franc.

Mr Valéry Giscard d'Estaing, former French president and leader of the UDF, the smaller of the two opposition parties, told Les Echos newspaper that he had asked his party to consider a proposed law in the national assembly early in the year. It would be ready for debate straight after the end of March parliamentary election, which the rightwing alliance of the UDF and Gaullist RPR is expected to win.

The proposal would give the Banque de France independent status similar to the German Bundesbank's, which is a factor in the D-Mark's strength. It could be one of the first pieces of legislation by the alliance, which opinion polls suggest will win by a wide margin. The move would put France well in advance of the timetable of the Maastricht treaty on European union, which – if applied – would make central banks independent some time between January 1994 and 1999.

Economic analysts welcomed the proposal and said it countered the theory held by some traders that the opposition would on winning the election devalue or float the franc, to pave the way for a drop in interest rates to relaunch the sluggish economy.

"The clear commitment to a strong currency and central bank independence from a key opposition figure is extremely important," said Paribas Capital Markets.

"This confirms that the mainstream political consensus in France has remained centred on a monetary policy which aims for a strong currency and low inflation," it added.

Mr Giscard d'Estaing maintained the move "would be, in

Continued on Page 14

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth.	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

CONTENTS

Washington warns of threat to bilateral links

Ukraine assures US on Start ratification

By Chrystia Freeland in Kiev

THE Ukrainian government has given the US State Department assurances that parliament will ratify the Start treaty on January 14 or 15 when the legislature returns from its holiday break, officials said in Kiev over the weekend.

The treaty, which was agreed by the US and the former Soviet Union, covers reductions in strategic nuclear weapons.

Russia, Kazakhstan and Belarus have already ratified the accord. Ukraine, and the 176 inter-continental ballistic missiles on its territory, is the last important hurdle to full ratification of the pact.

Kiev has made a commitment in principle to becoming a non-nuclear state and has transferred its tactical nuclear weapons to Russia, where they are to be dismantled.

The Ukrainian pledge follows intense pressure from Mr Lawrence Eagleburger, the US secretary of state, who has warned Kiev that unless it ratifies the treaty soon bilateral relations with the US could be threatened. Mr Eagleburger said in Washington yesterday that the US was "getting more than a little bit perturbed" by the Ukrainian reluctance to live up to its early promises to get rid of its nuclear weapons.

THE US and Russia have made "real progress" in talks on additional cuts in long-range nuclear weapons but are not yet ready to sign a Start-2 treaty, President George Bush said yesterday, Reuter reports from Washington.

Russian President Boris Yeltsin surprised officials in Washington last week when he said a Start-2 agreement was in hand and would be signed before Mr Bush handed over power to President-elect Bill Clinton next month.

However, there are signs in Kiev that Mr Eagleburger's tough approach could be counter-productive and that the Ukrainian government's pledge may not be honoured.

The parliament has been voting with increasing independence lately, suggesting that no Ukrainian leader is in a position to guarantee parliamentary ratification of the treaty on any specific date.

In a statement last week, President Leonid Kravchuk stressed that although Ukraine supported the Start treaty in principle, the pact was a serious agreement which parliament should study thoroughly before ratification.

Mr Kravchuk pointed out that the US Senate studied the Start treaty for more than a year before approving it.

Moreover, the allegedly heavy-handed attitude of the outgoing Bush team at the State Department has angered top Ukrainian officials.

Brazil to target growth in policy shift

By Christina Lamb in Rio de Janeiro

THE Brazilian government has decided to give a return to growth priority over combating inflation, in a clear policy shift announced after a two-day ministerial meeting.

The meeting, called to settle on an economic policy and end instability, ruled out the idea of an economic shock plan widely rumoured since last week's suspension of the privatisation programme and resignation of the economy minister.

The ministers agreed a $4bn government works programme to stimulate production and employment, and a gradual lowering of interest rates.

"Under this government the population will not wake up one morning to find everything has been changed by some arbitrary act," stressed Mr Paulo Haddad, the planning minister. "There will be no economic shocks or measures such as incomes and prices policy, price freezes, dollarisation or confiscation of savings."

Mr Haddad emerged strengthened from the meeting, having persuaded President Itamar Franco against a sharp cut in interest rates. He is also expected to take on the economy portfolio.

The discussions contrasted starkly with those of the previous administration of President Fernando Collor which concentrated on privatisation and lifting trade barriers. Instead the Franco government is focusing on state intervention to build up the internal market. "The number one priority of this government is programmes to relieve unemployment caused by recession," explained Mr Haddad. "All our actions will be directed to relieving the absolute poverty in which 45m Brazilians live."

As a first step the government will invest Cr44,200bn ($3.95bn) in road and house building projects next year with the aim of creating 1m new jobs.

The government is also introducing differentiated public sector tariffs, keeping down prices for low users of gas, electricity, postage and telephones.

Next year it will begin a series of sectoral meetings, starting with agri-industry and vehicle makers, to stimulate investment and production in return for government credit and reduced taxes. It is also putting together an export policy with the aim of increasing exports from $36bn to $50bn by the end of next year.

● The Brazilian trade surplus for last month was $1.56bn, the highest in 1992, giving an accumulated surplus for the year so far of $14.37bn. This is 45.5 per cent up on last year. The main increase has been in sales to Argentina which, at $2.75bn, have more than doubled.

US policy will soon be shaped by a leader the UK premier does not know

End of an era as Major leaves Washington

John Major and George Bush after concluding a joint statement in Washington yesterday

By Philip Stephens, Political Editor, in Washington

IT HAS not been Mr John Major's happiest foreign trip. His farewell to outgoing President George Bush on a rain-swept White House lawn yesterday marked the end of more than a decade of reassurance for Britain's Conservative leaders.

The visiting prime minister could claim one or two modest achievements. Mr Bush agreed that the US and Europe should set a January 15 deadline for completion of the stalled Uruguay Round of trade talks in Geneva.

The president also softened the rhetoric of US policy on the military enforcement of the no-fly zone over Bosnia. The US, he said, was as concerned about possible retaliation against British ground troops as it would be if US forces were at risk.

A new UN resolution to enforce Serbian compliance with the zone will be passed, probably this week, but the implication is that US fighters will not immediately be given a free hand to shoot down Serbian aircraft. The compromise marked as much Mr Major probably could hope for.

Reports that his American trip – which included an EC-Canada summit in Ottawa late last week – has left Mr Major exhausted and unsettled should not be taken too seriously. The prime minister is tired after a difficult three months, but no more than that.

But a friendly weekend in Camp David with Mr Bush could not let Mr Major escape the reality that from now on American policy will be shaped by a leader of whom he knows little.

Politicians and diplomats on both sides of the Atlantic insist that what remains of the special relationship will survive under President Bill Clinton. But for Mr Major it will not be the same.

For 12 years the occupant of 10 Downing Street could rely on a kindred ideological spirit in the White House. Now he must deal with a president whose election symbolised a break with the right-wing certainties of the 1980s.

The prime minister did not have a chance to meet Mr Clinton. It was not a deliberate snub. The president-elect, still based in Little Rock, is pre-occupied with shaping his cabinet. Instead the two men settled for a 25-minute telephone call on Friday before Mr Major left for Camp David.

Yesterday, Vice-president elect Al Gore and a number of other high-ranking Democrats joined Mr Major for lunch at the British embassy. Downing Street went to great pains to ensure the cameras were on hand. Mr Clinton will meet the prime minister in early February after his inauguration next month.

Senior officials travelling with Mr Major emphasised that Mr Clinton had been at pains to emphasise continuity in US foreign policy.

He had been sympathetic to Mr Major's grave doubts about the risks to British forces of military enforcement of the no-fly zone. He had offered his backing to the EC agreement with Mr Bush to give new impetus to the Gatt trade talks in Geneva.

On the basis of his telephone conversation and of extensive briefing by British diplomats in Washington, Mr Major was said to be "optimistic" about the relationship. Aides pointed out that the two men are in the same generation of post-cold war politicians.

More discreetly they added that Mr Major's centre-left position in the Conservative party leaves him not that far distant in the political spectrum from the Clinton brand of Democrat.

But there are obvious uncertainties. The most senior members of the British entourage pointed out that Mr Clinton's policy statements had so far been deliberately circumspect. The prime minister was pleased with what Mr Clinton had said publicly and privately but was uneasy also about what he had not said.

Mr Major will miss the personal rapport that comes with a shared ideology. Mr Clinton is no left-winger, but his rhetoric is not that of a natural believer in unfettered markets. He will have to be persuaded that maintaining a unique link with Britain should rank anywhere near the top of a list of priorities which is already crammed with domestic issues.

It was perhaps a sign of the times that before the two leaders returned to Washington the most important US newspapers did not carry a word yesterday of Mr Major's Camp David sojourn with Mr Bush.

EC plans 1993 trade measures

By Lionel Barber in Brussels

THE EC will today consider plans to strengthen its arsenal of trade weapons, including anti-dumping measures and quotas, in preparation for the official launch of the single market in the new year.

The plans have drawn fierce protests from European toy, textile and footwear importers, who fear a crackdown against cheap imports from China, Vietnam and North Korea.

The plans – which some Brussels lawyers describe as the most far-reaching trade policy revisions since the anti-dumping rule was adopted in 1968 – are to be discussed at a meeting of EC foreign and trade ministers in Brussels today.

According to the European Commission, the proposals are needed to streamline trade rules and "harmonise" quotas on non-EC goods among member states in time for January 1 1993, when the single market comes into force. They include several far-reaching measures.

● The Commission wants to reverse policy by requiring that duties be overturned by a qualified majority. At present, free-traders such as Britain and Germany need only muster a blocking minority.

● The introduction of "Community quotas" in some sensitive sectors such as footwear to replace quotas imposed on non-EC states.

● A Commission proposal to allow the lower Court of First Instance to deal with trade complaints, following a plea from an overworked European Court of Justice. Brussels argues the shift could add to time taken before imposing defensive trade measures.

So far, member states have divided along familiar lines, with the UK and Germany set against southern members such as Spain and Italy, which are worried that the single market could undermine EC trade policy.

Mr Peter Bahr, a Brussels-based spokesman for European footwear importers and retailers, said the measures would cut low-priced footwear from China and other target countries by 50 per cent at the expense of the consumer. It would also leave the Commission in the driving seat on trade policy.

Today's meeting will also discuss a possible compromise over EC plans to provide up to Ecu500m (£404.5m) funding for promoting high-definition television to the European public.

NEWS IN BRIEF

Argentina sees steady growth

ARGENTINA should settle down to sustained, investment-led growth with reasonably low inflation and improving external accounts in 1993, economy minister Domingo Cavallo said at the weekend, John Barham reports from Buenos Aires.

Mr Cavallo told the Financial Times: "In 1993 we expect economic growth to continue at a rate of 6-7 per cent, driven by supply-side improvements through investments and productivity gains."

He said growth of 8.5 per cent in 1991 and 9 per cent this year was led by a consumer spending spree that was now giving way to more sustainable expansion.

He forecast a marked 40 per cent increase in investment that should bring the investment rate to 21-22 per cent of GDP, "more than enough to justify his growth targets".

Khmer Rouge frees hostages

Khmer Rouge guerrillas yesterday freed 11 UN peacekeepers they had held hostage for two days, a UN spokesman said, Reuter reports from Phnom Penh.

Cubans' poll choice limited

Cubans voted yesterday for local government representatives in the first stage of what the island's government says is a reform of the electoral process that will lead to direct parliamentary elections in three months, writes Canute James. All 28,000 candidates for the 14,000 municipal seats at stake were from the ruling Communist party.

Italy joins frigate project

Italy yesterday joined an Anglo-French project to design and build a new generation of new air defence frigates. The new ships should replace a quarter of Britain's Royal Navy, starting in 2002, writes Daniel Green.

Latin American inflation in check

By Leslie Crawford in Santiago

MOST OF Latin America experienced strong growth and greater price stability during 1992, with the main exception of Brazil, which continues to buck the regional trend towards recovery, the United Nation's Economic Commission for Latin America and the Caribbean said yesterday.

Six countries – Argentina, Chile, Panama, the Dominican Republic, Uruguay and Venezuela – achieved real growth rates of 6 per cent or more. Brazil, Barbados, Peru and Haiti suffered downturns.

The depth of the Brazilian recession acted as a drag on the performance of the region as a whole. ECLAC estimated regional GDP to have grown by 2.4 per cent in 1992, compared with 3.5 per cent last year. Without Brazil, 1992 growth was 4.3 per cent.

Six countries reduced inflation to single digits; another 16 countries kept consumer price rises below 20 per cent. Only Brazil continued to struggle with triple-digit inflation.

Mr Gert Rosenthal, ECLAC's secretary general, said the region's economic progress was "no mean feat" considering the recession and uncertainty gripping Latin America's trading partners in the industrialised world. He noted that regional exports – totalling $126bn (£82.8bn) in 1992 – continued to grow despite declining terms of trade for Latin America's main commodities.

BA sends lobbyists into a spin

Nikki Tait and Daniel Green on a controversial airline deal

PITY the ladies who run the public records room at the US Department of Transportation. For them the decision – expected either today or early this week – on whether British Airways should be allowed to go ahead with its controversial $750m (£493.4m) investment in Arlington-based USAir cannot come a moment too soon.

Since Mr Andrew Card, the US transport secretary, bowed to pressure from the "big three" US carriers opposing the deal and agreed to create a public file on the subject, letters and submissions have flooded in. The result illustrates the intensity with which the lobbying game is played in the US.

Canvassers have pitched their efforts at the highest level. At the latest count USAir has secured support from 22 senators and more than 100 representatives – an eclectic group ranging on the Democrat side from Barbara Mikulski to elder statesmen like Howard Metzenbaum, and such prominent Republicans as Arlen Specter and John Danforth.

Not to be outdone, American Airlines – one of the deal's most vociferous opponents – claims to have 23 senators on board, along with President-elect Bill Clinton and another 95 congressmen.

This is just the beginning. A trawl by the carriers of their respective regional bases has yielded a mountain of mail from chambers of commerce, municipal and state organisations, and governors' offices.

The weary souls at the DoT have not even bothered to file the mountain of public correspondence on the subject. "You want to look at the letters?" asks an incredulous assistant, pointing to the nether reaches of the docket-room, where a dozen bulging boxes are stacked.

All this, of course, is an impressive adjunct to the formal filings and responses from various interested parties, invariably employing law firms and using any number of inventive arguments to support their cases.

BA's propaganda effort in the US has seemed restrained, even tranquil, by comparison. It had little choice. The carrier was frightened of giving the impression it was a senior partner telling USAir what to do. That could have opened it to more charges of wanting to run USAir, rather than merely finding a team mate.

Behind the scenes things were busy nevertheless. Even before the announcement of the deal in July, negotiators from both companies discussed how the propaganda war would be waged. After the announcement there was a rapid frontal assault on government and its officials in London. Top board directors, including chief executive Sir Colin Marshall, regularly briefed both the UK Department of Transport and the prime minister's office.

Staff were drafted in from corporate affairs, government strategy, public relations, public affairs and investor relations. With BA board members, and through their USAir opposite numbers, they lobbied congressmen and shareholders. A lobbyist was hired in Washington and public relations giant Daniel J. Edelman was engaged.

Today the British airline complains it was outgunned in Washington. "They [American, United and Delta] swamped the market completely. They bought up almost every lobbyist around." Still, this did not deter BA and USAir executives from touring the country to talk to editorial boards of newspapers.

Their targets were the New York Times, Washington Post, USA Today and the Wall Street Journal as well as newspapers in Chicago, Dallas and Atlanta, the home cities of United, American and Delta airlines.

"The majority were sympathetic," said one senior BA adviser. "But you don't win them all."

Czechs approve first budget

By Vincent Boland in Prague

THE FIRST budget of the fledgling Czech republic, approved by the Czech National Council (parliament) on Saturday, forecasts economic growth of 1-3 per cent in 1993 and inflation of up to 17 per cent, sharply higher than the current 11 per cent because of the imposition of a series of new taxes, including VAT, from January 1.

The balanced budget is based on revenue and expenditure both equalling Kcs342bn ($12bn). VAT is expected to raise Kcs 88bn, with income taxes producing Kcs87.2bn and social insurance payments contributing Kcs97bn.

Some Kcs255bn of expenditure has been earmarked for social welfare spending, suggesting the government is preparing for a substantial rise in unemployment from its current 2.5 per cent. The budget also includes a payment of Kcs24bn on the republic's Kcs115.5bn of foreign debt, which is its share of the Czechoslovak federation's debt.

Schengen old guard faces change with trepidation

Open borders threaten Luxembourg village's way of life, writes Andrew Hill

THE EUROPEAN MARKET

THE border post on the bridge over the Moselle river at Schengen is locked, but is not yet empty.

Inside, Mr René Zimmer, the Luxembourg village's last customs and immigration chief, is poring over the new European Community VAT regulations.

These are the rules which in a few days should open the frontier and close the border post for good, sending Mr Zimmer, 57, to a well-earned pre-retirement posting in Esch-sur-Alzette, further west.

Mr Zimmer is pleased. He has spent 17 of the last 25 years manning the frontier with Germany and France, but he is not a Schengen man. Esch-sur-Alzette is closer to his home.

In the Café International, however, opposite the bridge, proprietor Ernest Schemel, 73, his son Guy and a handful of Schengen's 350 locals believe the single market will bring trouble. They see more crime, more bureaucracy, more uncertainty and, at worst, redundancy for those villagers who for years have made their living from the frontier.

That Schengen, squeezed into the south-eastern corner of Luxembourg, should fear the lifting of border controls is ironic.

It was at Schengen or, more accurately, in a boat moored beneath the bridge that France, Germany and the Benelux countries signed the Schengen agreement in June 1990 which was supposed to herald the barrier-free Community.

The five countries, now swollen to nine, committed themselves to moving ahead of the rest of the EC by lifting controls on people by January 1 1993. Only Britain, Denmark and Ireland have not signed.

The agreement has already taken effect in Schengen itself. Regular frontier controls on the Luxembourg side of the Moselle disappeared earlier this year. In Germany and France a handful of uniformed officials are still carrying out desultory checks.

Villagers are not nostalgic about the old days of border controls. They are hard-headed enough to realise that change is inevitable.

But the concerns of those who benefit from Schengen's privileged border status are easy to understand. At weekends it is difficult to cross the main street for queues of German and French cars. The visitors do not come to Schengen principally for its pretty château and church, or even for its vineyards, sweeping down to the river from the

steep hills above the village. They come for its half dozen petrol stations, all of them exploiting the excise loophole which means that fuel is LFr10 (19 pence) a litre cheaper here.

Alcohol and cigarettes are also a better buy in Luxembourg.

As it turns out Schengen has little to fear from the immediate impact of single-market tax harmonisation. Under the indirect tax deal done with its EC partners, the Grand Duchy will guard most of its excise advantages at least until 1995.

Mr Ernest Legill, the village's échevin, or local councillor, and a wine-grower like most inhabitants, is generally optimistic about what will happen after January 1.

But like many older villagers he cannot disguise a visceral unease about the lifting of borders. He remembers the second world war, when the Schengen bridge was one of the first to be destroyed as the Germans advanced west.

Similar concerns are voiced less diplomatically in the Café International over glasses of the local white wine.

A local haulier, preferring to remain anonymous, points out that now there are fewer customs and immigrations officials on the bridge, the number of burglaries in the village has increased.

Mr Schemel and his family also fear the loss of their livelihood. Since 1959 they have worked as customs agents – employed by exporters and importers to deal with tax forms at borders. Those forms should disappear on December 31, replaced by an electronic system. But [illegible] the smooth-running computerised dream of a thousand EC tax officials breaks down.

Local pessimism reflects wider gloom about the goal of open frontiers. Growing evidence suggests that companies across the EC are not ready for the complex new VAT system. Even the ideals of the Schengen accord have soured in the last few months.

Ministers from the nine countries met in Madrid this week and agreed on a common visa for the free-travel area. But their January deadline for completely open borders has slipped at least until the middle of the year. Passport checks are likely to remain in place well beyond that date in the UK, Denmark and Ireland.

Such sluggishness will not prevent Mr Zimmer clearing his office on December 31 and leaving the Schengen border crossing unmanned for probably the first time since the Grand Duchy came into being in 1839.

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War of advice may break out in Russia

Foreign advisers in Moscow could soon find themselves unwanted, writes **John Lloyd**

THE FOREIGN economic experts who have played a big role in advising the Russian government on the reforms of the past year have no idea whether they will still be advising next year, when the government and the policies of Mr Viktor Chernomyrdin, the new Russian prime minister, will be clear.

For some, including the team of Professor Jeffrey Sachs and Mr David Lipton from Harvard University, it is already clear that Mr Chernomyrdin is a threat to the reforms on which they advised.

Mr Lipton says: "It's clear from what Prime Minister Chernomyrdin has already said on the need to support industry, and heavy industry in particular, that he has no regard for the interests of the economic transformation, no regard for consumers, and no respect for markets."

However, the Sachs/Lipton team, with its score of assistants scattered throughout the bureaucracy, will remain in place for now.

Delegates of the Democratic Russia Movement voting yesterday on whether to support Mr Yeltsin. The Russian foreign minister, Mr Andrei Kozyrev, addressed the congress, warning that Russia was in danger of returning to the concept of a "besieged fortress" in its foreign policy

So will Mr Richard Layard, the London School of Economics professor who works closely with Mr Sergei Vassiliev, head of the Economic Reform Centre. Prof Layard said that he had no plans to cease work, and Mr Vassiliev, a close associate of former Prime Minister Yegor Gaidar, said that "we'll carry on as long as we feel it useful to do so". Nevertheless, the privatisation programme, which is the biggest reform programme and employs the bulk of the foreign expertise, is now on hold.

Due to be discussed by Parliament last week, it was taken off the agenda while the new prime minister read next year's programme to see whether he would support it.

The state privatisation committee, headed by Mr Anatoly Chubais, the deputy prime minister, is now developing an ambitious programme of mass privatisation to begin in January, leaning heavily on foreign assistence.

The International Finance Corporation, the World Bank division which worked on the country's privatisation throughout the year, is waiting to see whether the programme will get under way on schedule.

This is also true of the team from Credit Suisse First Boston, which is charged with bringing the first companies to market in December.

"It's business as usual for now," said Mr Stephen Jennings, a CSFB executive based in Moscow.

However, it is clear that the privatisation committee is now working flat out on next year's programme, much more aware than previously of the limited window of opportunity open to them to make privatisation irreversible.

The US merchant bank, Goldman Sachs, hired in February by the government to assist in finding inward investment, is now unsure if its services will still be required. "We were able to work essentially because of our link with Yegor Gaidar," says Mr Bill Crowley, head of the GS team in Moscow. "Our main contact point is the Agency for International Co-operation and Development under (deputy prime minister) Alexander Shokhin, and it's not clear how that will now work."

The Ford Foundation, one of the biggest funders of individuals in Moscow through its $7m (£4.6m) annual fund for the former communist states of eastern Europe, is one of the many private and government institutions now debating whether to continue funding market-oriented programmes which may no longer be welcomed by government officials.

Others include the British Know-How Fund and US Aid.

Mr Chernomyrdin said during his first press conference that he thought that the foreign advisers should continue their work "and Russian ones too".

He has already put feelers out to Mr Nikolai Petrakov, the economist who served as former Soviet President Mikhail Gorbachev's adviser in 1989.

At the same time, Mr Boris Yeltsin, the Russian president, has appointed as his economic adviser none other than Mr Yegor Gaidar.

A war of advice clearly looms.

Six companies drop tenders

Siberian copper race loses appeal

By Leyla Boulton in Moscow

A RACE to develop Russia's biggest copper deposit has been reduced to just two contenders after six large western companies dropped out of an international tender for lack of time to complete proposals by a deadline which expired last Tuesday.

The only two companies now formally in the race are Australia's BHP and the Udokan Mining Company (UMC), considered the only "Russian" participant although it is indirectly half-owned by two little-known foreign companies. Its lack of experience of a big mining project is being compensated for by advice from Fluor Daniel, the San Francisco-based consultancy which puts together international mining projects and has already submitted a detailed feasibility study for the project.

In a sign of budding Russian co-operation with China, the UMC has also arranged to sell the copper to the Chinese, who are just across the border from the deposit in the eastern Siberian region of Chita. UMC's confidence that it will get the contract also rests on a definite shift by the authorities towards helping heavy industry find profitable new civilian markets after decades of catering to the military establishment.

Mr Boris Yatskevich, deputy chairman of Russia's state geology committee, who declined to confirm or deny which companies were taking part, said the tender committee would produce its conclusions by January 15, leaving the final decision to be taken by the Russian president and government. "Eight companies have expressed an interest in the project. Proposals have reached the tender committee."

But other sources confirmed that RTZ, Phelps Dodge, Placer Dome, Cyprus Mining, Mitsubishi and Marubeni, despite being registered as tender participants, had dropped out of the hugely complex project which requires building not just a mine but lots of infrastructure to operate it. An executive for one of the companies cited a lack of time to prepare properly since the tender was declared this summer, and said that another complicating factor was the metallurgical specificities of the ore.

Rome set to give details of sell-off

By Robert Graham in Rome

THE Italian government is expected this week to release full details of its privatisation programme, after the broad endorsement last week from the two houses of parliament.

Approval was given by the chamber of deputies on Wednesday and the senate on Friday to a programme which aims to raise L27,000bn (£12.8bn) for the treasury between 1993 and 1995. In addition IRI, the state holding company, is expected to raise some L12,000bn from its own divestments which will go to recapitalise and repay debts.

Parliamentary backing came despite powerful lobbying by Christian Democrat and Socialist politicians on their own coalition to water down the scheme so that the parties could retain control over a large state-controlled economy. "This is an important step forward," a treasury official said.

However, the official pointed out that parliament had laid down a number of guidelines which the government had to take into consideration. Mr Piero Barucci, the treasury minister, who is master-minding privatisation with Mr Giuliano Amato, the prime minister, pledged a definite plan for privatisation would be ready before the end of the year.

The broad privatisation proposals were submitted to parliament a month ago on a consultative basis. One of the main recommendations is that privatisation be carried out under the aegis of the prime minister and a committee of three ministers (treasury, budget and industry) who would also liaise with a new ministry of production. The latter is an attempt by parliament to force the government to include an industrial strategy in the privatisation process and not simply sell off to raise money for the impoverished treasury.

OECD sees Italy's growth rate rising

By Edward Balls

ITALIAN economic growth will begin to accelerate towards the end of next year if the government succeeds in bringing Italy's fiscal deficit under control while keeping the lid on wage inflation, the OECD said yesterday.

Restoring confidence in the lira, by ensuring that the government's fiscal austerity measures are fully implemented, is the route to economic growth, the Paris-based organisation says in a cautiously optimistic report.

The OECD expects Italy's economic growth rate to slip to 0.8 per cent next year. But an export- and investment-led recovery should deliver a 1.7 per cent growth rate in 1994.

The forecast depends on the government overcoming domestic resistance to budget cuts in order to reduce the fiscal deficit to 10.2 per cent of gross domestic product in 1993.

A successful budget consolidation should boost confidence, enable the lira to re-enter the ERM and reduce Italian interest rates over the coming year in line with expected cuts in German interest rates, the report says.

Tight monetary conditions, tax increases, the abolition of wage indexation and a freeze on public sector pay until the end of 1993, should all dampen the impact of the lira's recent devaluation on inflation, the OECD says.

Exports are expected to grow by 6.1 per cent next year and 5.9 per cent in 1994, outstripping the growth in imports and pushing the trade account into a modest surplus in 1994.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

In re:

NATIONAL ENVIRONMENTAL GROUP, INC., a Maryland Corporation, ESKEY, INC., a Nevada Corporation, and YFC INTERNATIONAL, N.V., a Netherlands Antilles Corporation,
Debtors.

Chapter 11

Case Nos.92-36657 through 92-36659 (WHG)

NOTICE OF DISTRIBUTION UNDER CONFIRMED CHAPTER 11 PLAN

TO ALL CREDITORS AND EQUITY SECURITY HOLDERS OF THE ABOVE DEBTORS:

PLEASE TAKE NOTICE that by Order of the United States Bankruptcy Court dated December 4, 1992, the Debtors' Joint Plan of Reorganization dated October 20, 1992 (the "Plan") has been confirmed and the Debtors have elected to commence distributions pursuant to Article 5 of the Plan on or about December 11, 1992.

PLEASE TAKE FURTHER NOTICE that pursuant to the Indenture dated as of May 17, 1983, as amended, between YFC and Bankers Trust Company, as Indenture Trustee and ¶¶27 and 28 of the Confirmation Order, holders of YFC International, N.V. 7-1/2% Convertible Subordinated Bonds due 1998 shall exchange their debt instruments in accordance with Article 6.2 of the Plan at the office of Bankers Trust Company, Four Albany Street, New York, New York 10006, Attn: Stanley Burg, Corporate Trust & Agency Group – 4th Floor.

Dated: December 11, 1992
New Brunswick, New Jersey

CRUMMY, DEL DEO, DOLAN,
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Karen A. Giannelli, Esq.
Counsel to Debtors

Results herald era of compromise after corruption backlash

Poll blow for Taipei rulers

By Simon Davies in Taipei

TAIWAN dealt a blow to President Lee Teng-hui's ruling Kuomintang party in parliamentary elections on Saturday, heralding an era of compromise and accountability for the party which has governed the island virtually unchallenged for 43 years.

The official KMT candidates, primarily Taiwanese-born liberal supporters of Mr Lee, took only 53 per cent of the vote, compared with 71 per cent in elections last year for the National Assembly, a separate body whose sole tasks are to select the president and amend the constitution.

The opposition Democratic Progressive Party (DPP), the once-outlawed organisation many of whose members have been jailed, was a prime beneficiary of anti-Lee sentiment. It picked up 31 per cent of the vote, compared with 24 per cent in the National Assembly election last year.

But the biggest swing was towards President Lee's conservative opposition within his own party: the descendants of Chiang Kai-shek's Mainland army who took control of the island in 1949 and have only recently relinquished their authoritarian rule.

The largest number of votes went to Mr Wang Chien-shien and Mr Jaw Shao-kan, two former KMT cabinet ministers who stood without the support of the party and who campaigned strongly against KMT corruption.

Taiwan's multi-seat constituency system makes it possible for more than one KMT candidate to stand in any one constituency.

The conservative faction, known as the Non-Mainstream, is seen as less corrupt, and less biased towards the business community, and they benefited from the election's focus on "Money Politics".

This year's election campaign is believed to have cost a total of T$20bn (£498m), much of which has gone on illegal vote-buying. More than 200 cases of vote-buying are currently being investigated.

The mainstream KMT members are seen as the main culprits, using the huge financial resources of the party (which owns banks and television stations), and its support from the island's big businessmen.

Mr James Soong, KMT secretary general, said: "Our party is very dissatisfied with the outcome, but we have to accept the voters' choice." Yesterday, one conservative KMT faction called for Mr Soong's resignation.

The pro-Mainland backlash is good news for beleaguered Taiwanese premier Hau Pei-tsun, a Mainlander who looked set for departure in the event of strong support for President Lee's Mainstream KMT. Given the backing for Hau's supporters, it seems likely he will remain as figurehead for a big minority group.

DPP support was also fervent, showing recognition of its evolution into a serious opposition party.

The lack of support for President Lee is bound to cause consternation in Beijing. China has been keeping a close eye on the elections in what it considers to be a renegade province, and General Secretary Jiang Zemin last week warned the KMT to oppose any support for the independence movement.

The DPP campaigned on a platform of "One China, One Taiwan" urging greater independence. Its 50 seats in the 161-seat legislature will therefore smack of defiance towards the Mainland rulers.

But President Lee looks likely to retain control of an increasingly divided legislature. Official KMT candidates retained 96 seats. In addition, the non-Mainstream may be keen to force compromises but they will want to retain the advantages of party membership, while the DPP agrees with many of the economic and political reforms proposed by President Lee.

A Belgian paratrooper talks to representatives of the warlord Col Omar Jess in Kismayu after US and Belgian troops seized the southern Somali port yesterday. Meanwhile a UN official said 30 trucks laden with food north of Mogadishu were lost in an apparent case of looting. The vehicles were believed to have been loaded with rice donated by French schoolchildren.

Fabius to be tried over HIV blood

THE French parliament voted at the weekend to send Mr Laurent Fabius, leader of the Socialist party, and two former ministers to trial, over a scandal in which more than 1,200 haemophiliacs were infected by blood tainted with the HIV virus, writes William Dawkins in Paris.

The complex and rarely used process could take years to reach a conclusion.

The national assembly voted overwhelmingly on Saturday followed by the Senate yesterday to send Mr Fabius, prime minister when the national blood transfusion service supplied the infected blood in 1985, before a parliamentary high court, along with Mrs Georgina Dufoix, former social affairs minister and Mr Edmond Hervé, former health minister.

EC to study fisheries

EC ministers yesterday agreed to overhaul their common fisheries programme and reduce catch quotas next year to counter over-fishing. AP reports from Brussels.

Although the Twelve did not accept all proposals of the EC's Commission to guarantee sufficient stocks over the next decade, the deal still went well beyond the current programme by introducing fishing licences by 1995 and tougher fishing controls.

Kenya warned over election

The 38-member Commonwealth observer group yesterday called on the Kenyan government for "more effective action" to curb the violence marring the run-up to the country's first multi-party general election in 26 years on December 29, writes Michael Holman in Nairobi.

It was the group's third warning in a week.

Ruling party retains hold on Singapore

By Kieran Cooke in Singapore

BOTH the government and the opposition in Singapore have claimed victory after a by-election at the weekend which saw the ruling People's Action Party retain its overwhelming hold on the island republic's politics.

The PAP won 73 per cent of the vote in the four-seat Marine Parade constituency. Mr Goh Chok Tong, who took over from Mr Lee Kuan Yew as Singapore's prime minister in late 1990, was a candidate. He said the vote represented a "resounding endorsement" for his government's policies and his leadership.

The fledgling Singapore Democratic Party (SDP), which had put itself forward as the main opposition party during the campaign, won 24 per cent of the vote. The SDP said the result marked the beginning of a two-party political system in Singapore.

The PAP has long had a monopoly on political power in Singapore and was shocked when its vote in a general election midway through last year dropped to 61 per cent, with four opposition members voted into the 81-seat parliament.

Mr Goh, who has had difficulty escaping from the shadow of Mr Lee's long years as Singapore's leader, had said that this by-election was a crucial test of his leader ship.

In the general election last year the PAP won 77 per cent of the vote in Marine Parade.

S Korea's election results put opposition in disarray

By John Burton in Seoul

THE comfortable victory of Mr Kim Young-sam's in Friday's South Korean presidential election has given him a secure mandate to govern while leaving the opposition in disarray.

As the candidate of the ruling Democratic Liberal Party (DLP), Mr Kim received 42 per cent of the vote against 34 per cent for Mr Kim Dae-jung of the main opposition Democratic Party and 16 per cent for Mr Chung Ju-yung, the founder of the Hyundai business group. His margin of victory was wider than expected.

Mr Kim, who will take office late in February, is hoping to improve the DLP's slim majority in the legislature as a result of his victory. The DLP has 161 seats out of 299.

The poor performance of the opposition parties in the election is expected to encourage some MPs to defect to the DLP. The switching of party affiliation is normal practice in South Korean politics, with more than 30 MPs having done so this year.

The resignation of Mr Kim Dae-jung as opposition leader and MP following his defeat is likely to cause factional infighting within the Democratic Party, which was formed only a year ago from a merger of two parties.

There are doubts about the survival of Mr Chung's United People's Party, which was established earlier this year to support his failed bid for the presidency. Most of the UPP's 37 MPs would join the DLP if the conservative party collapsed.

Mr Chung also has to worry about possible government reprisals against his Hyundai industrial conglomerate as his political strength wanes.

Hyundai has already been subject to government harassment this year, including tax penalties and credit squeezes, because of Mr Chung's political ambitions.

One factor that may protect Hyundai from a crackdown is its status as the nation's largest business group.

Editorial Comment, page 12

Opposition parties back De Klerk purge

By Philip Gawith in Johannesburg

THE purge by President F W de Klerk of South African Defence Force members involved in efforts to undermine the reform process has been welcomed by other political parties, who believe further revelations are likely to follow.

Mr de Klerk's announcement on Saturday that 23 SADF members, including two generals and four brigadiers, had either been compulsorily retired or suspended, is the largest reshuffle in defence force ranks since the first world war.

The two generals sacked have been named by the Afrikaans Sunday newspaper Rapport as Gen Hennie Roux, army chief of staff, and Gen Chris Thirion, deputy chief of staff intelligence. Also alleged to have been sacked are Brig Tolletjies Botha, head of the Directorate of Covert Collection (DCC), and Brigadier Ferdi van Wyk, the mastermind behind a campaign to discredit the African National Congress.

The ANC welcomed Mr de Klerk's announcement, but said "It has been a very slow recognition of what is happening." Gen Bob Rogers, Democratic Party spokesman on defence commended Mr de Klerk for his prompt action.

● The recent upsurge in attacks on whites continued over the weekend when a 14-year-old girl was killed in a grenade attack on a farm near the Lesotho border.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

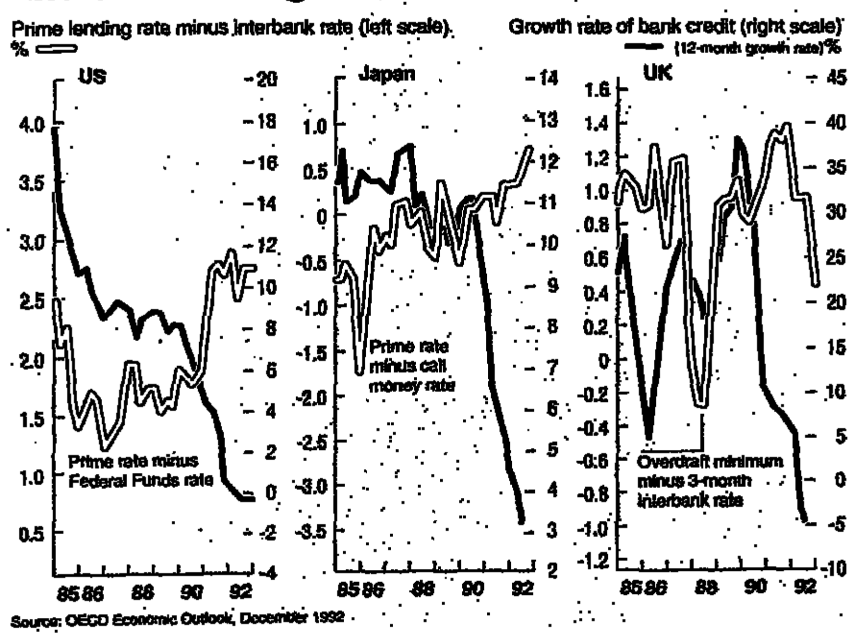
Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN					GERMANY				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	101.9	98.6	102.2	99.4	76.5	100.6	95.3	101.4	103.3	131.0	99.9	97.5	103.8	104.0	110.2
1987	105.6	100.7	103.8	96.7	65.4	101.2	92.5	103.1	100.6	131.6	100.1	95.1	108.0	107.0	123.9
1988	109.9	103.2	106.9	98.1	61.8	102.2	92.3	107.8	98.2	140.3	101.4	96.2	113.0	107.0	125.3
1989	115.2	108.5	110.0	98.9	65.5	104.9	94.2	114.0	96.1	132.2	104.2	99.3	117.3	108.0	121.0
1990	121.5	113.8	113.8	100.9	60.9	108.2	95.7	120.1	98.2	114.8	107.0	101.0	123.8	110.0	125.0
1991	126.6	118.3	117.3	103.5		111.8	97.3	124.4	101.7		110.7	103.4	131.8	115.0	
3rd qtr.1991	3.9	1.9	3.2	2.4	62.0	3.3	1.7	3.3	3.7	125.3	4.1	2.8	n.a.	4.6	122.7
4th qtr.1991	3.0	−0.2	2.9	1.7		3.2	0.0	3.2	6.0		4.0	2.4	n.a.	6.6	
1st qtr.1992	2.9	0.4	2.6	−0.1		2.1	−0.6	2.5	6.2		4.3	2.0	n.a.	4.5	
2nd qtr.1992	3.1	1.3	2.9	−0.5		2.6	−0.7	2.4	8.7		4.5	2.0	n.a.	3.8	
3rd qtr.1992	3.1	1.6	2.3	−0.1		2.0	−0.8				3.5	1.0	n.a.		
December	3.1	−0.1	2.6	0.7	n.a.	3.0	−0.1	3.5	5.9	n.a.	4.2	2.6	6.4	9.0	n.a.
January 1992	2.6	−0.4	1.7	0.7	n.a.	2.1	−0.6	4.6	7.9	n.a.	4.0	1.6		4.5	n.a.
February	2.8	0.6	3.5	−0.1	n.a.	2.2	−0.6	1.2	6.9	n.a.	4.3	2.0		3.6	n.a.
March	3.2	1.1	2.6	−0.7	n.a.	2.2	−0.7	1.7	9.8	n.a.	4.8	2.5		5.4	n.a.
April	3.2	1.1	3.4	−0.6	n.a.	2.6	−0.7	1.3	8.7	n.a.	4.6	1.9		5.4	n.a.
May	3.0	1.1	2.6	−0.6	n.a.	2.3	−0.7	1.1	11.8	n.a.	4.6	2.0		1.7	n.a.
June	3.1	1.6	2.6	−0.3	n.a.	2.5	−0.7	3.8	5.7	n.a.	4.2	2.0		4.3	n.a.
July	3.2	1.7	1.7	−0.2	n.a.	2.0	−0.7	2.3	6.6	n.a.	3.3	1.1		6.9	n.a.
August	3.2	1.5	2.6	−0.5	n.a.	1.8	−0.8	−1.5		n.a.	3.5	1.1		5.2	n.a.
September	3.0	1.6	2.5	0.3	n.a.	2.2	−0.7			n.a.	3.6	0.8			n.a.
October	3.2	1.7		−0.2	n.a.	1.2				n.a.	3.7	0.5			n.a.
November	3.0	1.3			n.a.	0.6				n.a.	3.7	0.5			n.a.

	FRANCE					ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	102.5	97.2	104.5	101.5	102.3	106.1	100.2	104.8	102.6	101.5	103.4	104.3	107.7	104.5	93.3
1987	105.9	97.8	107.8	103.0	102.6	111.0	103.2	111.6	105.6	102.3	107.7	108.3	116.3	105.9	91.3
1988	108.8	102.8	111.1	104.0	96.3	116.5	106.8	118.4	109.8	101.6	113.0	113.2	126.2	108.9	97.6
1989	112.6	108.4	115.4	105.5	92.3	124.2	113.1	125.6	112.1	107.2	121.8	119.0	137.2	113.6	96.4
1990	116.4	107.1	120.6	110.0	95.7	131.8	117.8	134.7	118.8	113.7	133.3	126.0	150.1	123.2	102.3
1991	120.0	105.6	125.8	114.3		140.3	121.7	147.9	131.2		141.2	133.0	162.4	133.6	
3rd qtr.1991	3.0	−1.5	n.a.	2.7	91.0	6.4	3.1	10.7	12.8	114.3	4.8	5.5	7.8	6.3	107.0
4th qtr.1991	2.9	−3.6	n.a.	3.6		6.1	2.1	10.6	12.7		4.2	5.0	7.8	4.4	
1st qtr.1992	3.1	−3.0	n.a.	0.9		5.6	1.4	9.2			4.1	4.5	8.6	4.1	
2nd qtr.1992	3.1	−1.1	n.a.			5.5	2.0	6.0			4.2	3.6	5.9	1.6	
3rd qtr.1992	2.7	−0.9	n.a.			5.2					3.6	3.5	6.2	1.9	
December	3.1	n.a.	4.1	n.a.	n.a.	6.0	1.9	10.4	n.a.	n.a.	4.5	4.8	7.2	3.9	n.a.
1992 January	2.9	n.a.	–	n.a.	n.a.	6.1	1.3	9.4	n.a.	n.a.	4.2	4.5	7.5	4.8	n.a.
February	3.0	n.a.	–	n.a.	n.a.	5.3	1.5	9.1	n.a.	n.a.	4.1	4.4	7.8	2.3	n.a.
March	3.2	n.a.	3.6	n.a.	n.a.	5.5	1.4	9.1	n.a.	n.a.	4.0	4.5	10.3	5.3	n.a.
April	3.1	n.a.	–	n.a.	n.a.	5.5	1.8	8.8	n.a.	n.a.	4.3	3.8	5.0	0.1	n.a.
May	3.1	n.a.	–	n.a.	n.a.	5.7	2.1	4.6	n.a.	n.a.	4.3	3.5	7.0	2.7	n.a.
June	3.0	n.a.	3.8	n.a.	n.a.	5.4	2.1	4.7	n.a.	n.a.	3.9	3.6	5.9	2.0	n.a.
July	2.9	n.a.	–	n.a.	n.a.	5.4	1.9	4.0	n.a.	n.a.	3.7	3.6	6.2	3.1	n.a.
August	2.7	n.a.	–	n.a.	n.a.	5.2		3.5	n.a.	n.a.	3.6	3.4	6.5	1.9	n.a.
September	2.6	n.a.	3.5	n.a.	n.a.	5.1			n.a.	n.a.	3.6	3.4	5.7	0.8	n.a.
October	2.4	n.a.	–	n.a.	n.a.	4.9			n.a.	n.a.	3.6	3.3	6.4	0.4	n.a.
November	2.1	n.a.	–	n.a.	n.a.	4.8			n.a.	n.a.	3.0	3.3			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

Interest rate margins and bank credit



Source: OECD Economic Outlook, December 1992

Why recovery may depend on higher bank margins

THE COMBINATION of accumulating bad debts, vocal complaints from small businesses and a chancellor who is determined to ensure that all interest rate cuts are passed directly to borrowers has made this a trying year for Britain's banks. But, however justified it may be to criticise the competence of UK bankers, their willingness and ability to lend will be a central determinant of the pace of economic recovery next year. Whether Britain's banks are able to start lending again soon may depend on whether they are able to ignore Mr Norman Lamont's strictures.

Two items of economic news in the UK last week confirm the banks' difficulties. On Thursday, Barclays bank announced a record £240m write-off to cover property-related losses on loans made at the height of the late 1980s boom. On Friday, the Bank of England announced that commercial bank lending in November fell, unexpectedly, by £600m.

Nor are these problems peculiar to Britain, as the OECD acknowledged in its latest gloomy economic outlook. Commercial banks in the US and Japan, as well as in the UK, lent too much too cheap in the late 1980s to risky property-related ventures, many of which have subsequently collapsed along with the land and property prices upon which their financial health depended. The banks are still trying to repair the damage to their balance sheets.

This asset price collapse has bitten deep into the profits of the commercial banks. The average rate of return on total assets of US banks was 0.73 per cent in 1990-91 compared to 0.83 per cent in 1981-89. The average return earned by UK banks was also 0.83 per cent in 1981-89 but has since fallen to 0.56 per cent in 1990-91, while the average return earned by Japanese banks has slipped from 0.62 per cent to 0.40 per cent over the same period.

Commercial banks in all three countries have responded to this fall in profitability by contracting credit growth. The charts, taken from the OECD outlook, show the collapse in the growth of bank lending in all three countries since 1989, particularly in the US and UK where credit has been contracting this year.

Yet it is the rise in UK bank margins on existing loans, not the unwillingness of the banks to make new loans, that has aroused the chancellor's ire. Barclays and National Westminster have both raised the average margin over the base lending rate that they charge to small business from 3.1 percentage points 18 months ago to 3.5 percentage points today.

Are the UK banks behaving unfairly? The mark-up over the base lending rate of UK banks is certainly bigger than that of US banks, and has risen further. Mr Christopher Snyder, president of the Loan Pricing Corporation, a New York-based financial information company, says that the average mark-up over the prime lending rate for middle market loans is 1.35 percentage points, while smaller and less credit worthy borrowers might face a 2 percentage point mark-up. He estimates that this mark-up has risen by about 0.3 percentage points over the past two years.

Yet this comparison between mark-ups is puzzling because UK bank profits are both smaller and have fallen further than in the US. It is also misleading. For the US banks have been encouraged by the Federal Reserve to rebuild their balance sheets through a more direct means. While the Fed has reduced US short-term interest rates to half UK levels by cutting the rate at which it lends to commercial banks, the gap between the prime rate and the Fed Funds rate has risen by 1.5 percentage points over the last two years, as the chart shows. In the UK, by contrast, the gap between the base overdraft rate and the money market rate is both much smaller – 0.5 percentage points compared to over 2.5 percentage points in the US – and has been falling recently.

So while the average US bank mark-up over prime is smaller than the mark-up over the base lending rate in the UK, US banks margins over market interest rates are both larger and have risen more than in Britain. And the US has a recovery.

Edward Balls

FT SURVEY OF FORECASTS

Public sector spending prompts tax fear

By Emma Tucker and Keith Fray

A GROWING crisis in public sector finances will force the government to raise taxes before the end of 1994, according to the latest Financial Times survey of economic forecasts.

The most comprehensive survey of forecasts for the UK economy over the next two years shows that more than half of City of London, academic and independent economists believe the government will have to increase taxes to claw back some of the revenue lost as a result of the recession.

Although the consensus forecast for this year's public sector borrowing requirement is in line with the Treasury's expectation of £37bn, economists see government borrowing spiralling towards £50bn in 1993/94.

"In order to bring the PSBR down to 3 per cent of GDP over the medium term, it would require annual increases in taxation - excluding any changes to expenditure - of anything up to £10bn a year," said Mr Neil MacKinnon, chief economist at Citibank.

Few predict that the government will raise direct taxes. Increases in indirect taxes are more likely, and a number of economists expect the scope of VAT to be widened and excise duties raised. Abolition of the upper earnings limit on national insurance contributions is also possible.

Few foresee an early reentry to the European exchange rate mechanism, if at all. "Assuming that economic sanity reigns - a bold assumption given the events of recent months - the UK will not rejoin the ERM in the forseeable future," said Mr Paul Neild at County NatWest.

"Britain will only rejoin when German monetary policy is appropriate for the UK. With the UK and German cycles out of phase, re-entry is unlikely within the life of this parliament," says Mr Keith Wade, chief economist at Schroders.

Those that do expect reentry, believe it will happen in 1994 at a rate between DM2.40-DM2.60.

The outlook for inflation is more pessimistic than official forecasts suggest. Over half of the 38 economists questioned expect the retail prices index, excluding mortgage interest payments to breach the upper limit of the Chancellor's 1-4 per cent target range in the next two years.

Forecasts for average inflation next year range from as little as 2.3 per cent to 6.2 per cent, although a number of economists forecasting a rise in inflation next year, expect it to drop back again in 1994, once the devaluation of sterling has made its impact on the index.

Expectations for growth among economists are broadly in line with the Treasury's latest forecast of 1 per cent next year. The following year, economists see GDP growth rising to 2.4 per cent. Unemployment is forecast to stay at just over three million both next year and in 1994, with only four economists expecting the peak before the end of 1993.

INSURANCE MARKET

Lloyd's capital base may shrink by 15% in 1993

By Richard Lapper

LLOYD'S capital base is next year expected to shrink by at least 15 per cent to £8.5bn as a result of heavy underwriting losses at the insurance market.

Leading agents at the market are also predicting losses of more than £1.5bn in the 1990 year, which Lloyd's will report in June; about 50 per cent worse than anticipated earlier this year.

The figures indicate that recent losses are taking a heavy toll on Lloyd's and could prevent it from taking full advantage of recent increases in insurance rates.

"The trough is deeper and longer than we would have thought twelve months ago," said the finance director of one large agency.

Lloyd's had expected that the market's capacity - the amount of premium it can underwrite - would fall from present level of £10.1bn to £9bn in 1993, following losses of £2.5bn in 1988 and 1989.

But the fall in capacity is now expected to be greater because many Names, the individuals whose capital underwrites the market, have had problems in meeting solvency requirements. These requirements govern how much money they can commit to the market.

Rowland: new impetus

Mr John Moir, of London Wall, said the market had "underestimated the extent to which solvency would be a problem for many Names" many of whom "had been forced to reduce their participations to a lower level."

Mr Anthony Cooper, chief executive of Wellington Underwriting Agencies, says capacity could fall to £8.3bn, while senior executives at five other agencies interviewed late last week all estimated a fall in capacity to below £8.5bn, with one pessimist predicting a decline to £7bn.

Next year Lloyd's syndicates are likely to make maximum use of available capacity, while new rules giving them more flexibility to buy reinsurance from outside the market will also cushion the impact of the decline.

But agents fear capacity will fall further in 1994, due to the impact of the 1990 losses on Names, and that capital shortages could begin to undermine the market's overall viability. This, in turn, could put more pressure on Lloyd's to attract corporate capital to the market.

Lloyd's agreed to examine ways in which corporate investors could be attracted to the market following the publication of the Rowland task force report earlier this year.

The report's author, Mr David Rowland, takes over as chairman of Lloyd's next month, and is expected to give more impetus to these efforts.

Mr Cooper says 1990 losses could reach £1.8bn as a result of losses from storms and continuing asbestosis and pollution-related claims in the United States.

NEARLY 200 guests were evacuated before dawn yesterday in sub-zero temperatures as a fire damaged a new hotel on Edinburgh's historic Royal Mile. A 100m sq area of roof and the two upper floors of The Scandic Crown, opened two years ago, were badly damaged. No one was hurt as 100 firemen fought the blaze.

Britain in brief

Private pay awards drop towards 3%

Private sector pay settlements are falling again sharply after a period of stabilisation and could soon drop below 3 per cent .

The Confederation of British Industry's manufacturing pay databank estimates that settlements between September and November averaged only 3.1 per cent and that since August one manufacturing group in three has introduced a pay freeze.

That compares with an average settlement rate of 4.2 per cent in the quarter ending in September, down only slightly on the 4.4 per cent in the last quarter of 1991.

The figures, compiled by the employers organisation, were released as part of a new monthly series for CBI members. But they will also come as good news to the government, which is keen to see pay in the sector fall as close as possible to its own public sector limit of 1.5 per cent.

Pay awards in the service sector fell sharply, too, according to the CBI, down to 3.7 per cent in the three months ending in November from 4.5 per cent in the three months ending in August.

Generators may need watchdog

Prof. Stephen Littlechild, the UK electricity watchdog, is considering whether the power generation companies should be regulated in the same way as electricity distributors.

This comes at a time of mounting concern about the "duopoly" exercised by National Power and PowerGen, who have over 70 per cent of the market between them.

At the moment Prof. Littlechild only has power to regulate prices charged by the regional electricity companies (RECs). This is based on the principle that they have local monopolies, and that regulation is required to keep prices down. But because the generators are supposed to compete in an open market to sell their electricity, they were exempted from regulation at privatisation.

However Prof. Littlechild has frequently criticised the market dominance of the generators, most recently last week when he called for more competition in a report on electricity prices.

Independent directors

Independent directors are playing an increasingly important role in regulating companies' activities in the UK, a survey published by 3i, a venture capital group, says.

Independent directors are well represented on public and private company boards and form a majority in the largest companies, the survey shows. Most private companies have at least one independent director.

They have increased their influence over remuneration and audit committees. Virtually all are now chaired by an independent director and 44 per cent are composed solely of independent directors. Two years ago, most such committees had equal numbers of executive and non-executive directors.

Foreign banks gain foothold

Worsening relations between banks and their corporate customers have led a quarter of UK companies to change bankers in the past five years - more than half of them in the past two years, a Manchester Business School survey shows.

That is an increase in market volatility of two or three times compared with the mid 1980s.

At the same time, increasing numbers of companies are splitting their banking, allowing foreign banks to compete effectively for specific business. Only 8 per cent of companies now use only one bank.

That has enabled US, Japanese and continental European banks to gain a foothold in 25 per cent of UK corporate accounts.

Those are among the main findings of a detailed survey of banking relationships by the school's International Centre for Banking and Financial Services. The survey was of a sample of 670 subscribers to Financial Director, a specialist magazine.

Reid warning on rail sell-off

Sir Bob Reid, the chairman of British Rail, has given his strongest warning so far about the government's plans for privatising BR, as he urged ministers to build on the organisation's achievements, instead of breaking it up.

While Sir Bob has been known for some time to be anxious about aspects of the government's plans to split the railway into a track authority and privately-run companies competing to run services, his call for privatisation to "evolve" rather than be introduced with disruption is his most open attack yet on the proposals.

"If you start to break it up and you disrupt it, you will break the momentum, you will give yourself major safety validation problems ...and you will not get a better service for some long time to come," he said on BBC radio.

Bomb insurance decision 'soon'

The insurance industry is expecting a government decision this week on the controversial issue of insuring property against terrorist attack.

Mr Michael Heseltine, the trade and industry secretary, has come under pressure to intervene since the Association of British Insurers recommended that its members should withdraw terrorism cover from commercial insurance policies, following the withdrawal from the market of some large reinsurers. The ABI believes that the government should meet part of the bill for mainland terrorist damage in future.

White out

The odds against a white Christmas in London, Glasgow or Cardiff are 8-1 says bookmaker William Hill, which prices a wet Christmas at 8-11 and a completely dry one at 11-10.

THE WEEK AHEAD

ECONOMICS

Fall tipped in British GDP

THE final figures for UK gross domestic product in the third quarter are published today, with details on expenditure and the components of output.

GDP, including oil and gas extraction, is forecast to have fallen a further 0.7 per cent, compared with the third quarter last year – although some economists are expecting a small increase.

Later in the week, figures for real personal disposable income may show a small drop in the savings ratio from 10.3 per cent in the second quarter to 10 per cent in the third. However, the latest figure is unlikely to reflect any change in spending habits after the reduction in base rates to 7 per cent after Britain left the European exchange rate mechanism on September 16.

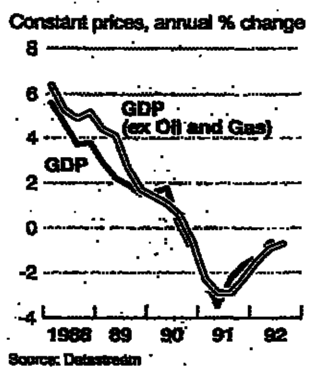
If lower interest rates have enticed people to save less and spend more, the effect will probably show up in the fourth quarter figures, not due until early next year. All markets will be closed on Friday, except in Japan, where trading continues and a string of economic statistics is due.

Other economic events and figures published this week follow. The figures in brackets are the median of economists' forecasts from MMS International, a financial information company.

Today: UK GDP for third quarter (flat on quarter, down 0.7 per cent on year); Germany, November Ifo business climate; US, November Treasury budget (-$38.8bn); Canada, October retail sales (up 0.2 per cent); Japan, November money supply – M2 and cash deposits (down 0.6 per cent), November broad liquidity, December wholesale price index – first ten days.

UK GDP

Constant prices, annual % change



Source: Datastream

Tomorrow: UK, November current account (£1.2bn deficit), November visible trade (£1.3bn deficit); US, final third quarter GDP figures (up 3.9 per cent), deflator (up 1.7 per cent), third quarter after tax corporate profit, 1993 real capital spending, Johnson Redbook week ended December 19, Federal Open Market Committee meeting in Washington; Canada, October wholesale trade, October departmental sales (up 0.1 per cent); Japan, October leading difference index, coincident diffusion index, December trade balance – first 10 days; Australia, October import prices, October manufacturing input prices; New Zealand, November trade balance.

Wednesday: UK, third quarter personal disposable income, third quarter savings ratio (10 per cent); France, December trade balance (FFr2bn surplus); US, November durable orders (down 0.1 per cent), November durable shipments, November personal income (up 0.4 per cent), November PCE (up 0.4 per cent), auto sales Dec 11-20 (6.3m units); Canada, October investment in C$ securities; Japan, National Holiday, all Japanese markets closed.

Thursday: US, initial claims week ended December 12 (341,000), state benefits week ended December 5, November export price index, import price index, final December Michigan sentiment index, money supply data for the week ended December 14, minutes released from the FOMC meeting of November 17; Australia, November motor vehicle registrations (up 1.5 per cent).

Friday: Christmas Day, all markets closed except Japan; Japan, December consumer price index – Tokyo (up 1.1 per cent), excluding perishables (up 2.1 per cent), December CPI – nation (up 0.8 per cent), excluding perishables (up 2.1 per cent), November unemployment rate, November retail sales (down 4.1 per cent), November industrial production (down 0.7 per cent), November construction orders, November housing starts (up 9.1 per cent), November construction starts.

During the week: Germany, November M3 (up 9.3 per cent), cost of living for Badenuertt, Hesse, Nord-rhine Westphalia and Bavaria, preliminary figures for December cost of living (up 0.3 per cent on month, up 3.9 per cent on year), GFK construction climate, November import prices (up 0.3 per cent on month, down 4 per cent on year); Italy, November trade balance, November M2, November balance of payments, November net foreign reserves, December CPI (up 5 per cent); Belgium, December CPI (up 2 per cent on year).

Emma Tucker

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Alcan Aluminium $0.075
Assoc. British Ports 11⅞% bd. 2011 £593.75
Bristol & West Bldg. Society Senior Var. Rate Nts. 1994 £241.36
Commonwealth Bank of Australia Gtd. Und. Var. Rate Cap. Nts. $101.19
Daiwa Int. Fin. 7.875% Sb. Bd. 2006 $7021.88
Drayton English & Intl 0.6p
Enron $0.35
Finnish Export Credit 8¼% Dual Currency Bd. 1995 Y82,500
Fleming Japanese Inv. 0.35p
Gartmore European Inv. 1.1p
Gen. Motors Acceptance Corp. 10% Nts. Dec. 1993 Ecu100
Do. (UK) 9¾% Nts. Dec. 1993 £97.50
Halifax Bldg. Society 5¼% Nts. 1993 Y52,500
Hunting 4p
Itochu Corp. Fltg. Rate Nts. 1996 Y312,548
Leeds Permanent Bldg. Society Fltg. Rate Nts. 1996 £236.98
Lowland Inv. 5.5p
Marubeni Int. Fin. 7.3% Bd. 1994 Y730,000
Nationwide Bldg. Society Sb. Fltg. Rate Nts. 2004 £240.09
NT & T 8½% Nts. 1996 $850.0
North American Gas Inv 1.125p
Smart (J) 6.2p
Tokyo Electric Power 9⅝% Nts. 1996 Ecu96.25
Do. 10⅝% Nts. 20/12/96 C$106.25
Yuen Foong Yu Paper Mfg. 2% Bd. 1992 $200.0

■ **TOMORROW**
Dickie (James) 1p
Flash Ser. Gamma Sec. Fltg. Rate Nts. 1997 $527.96
GFW Fin. 10⅝% Gtd. Nts. 1992 £106.25
Hercules $0.56
Lasmo 10⅜% Db. 2009 £5.1875
Marine Midland Banks Fltg. Rate Sb. Nts. 2009 $132.71
Riggs National Fltg. Rate Sb. Nts. 1996 $132.71
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. £118.10
Taiwan Power Co. Fltg. Rate Nts. 1992 $266.88
Television South West 2p

■ **Wednesday December 23**
Allied Leisure 3.25p
American Cyanamid $0.4125
Citicorp Fltg. Rate Sb. Cap. Nts. 1996 $132.71
Devenish (JA) 10¼% Db. 2017 £5.125
Foreign & Col Eurotrust 1.23p
FR Grp. 4.2% 2nd Cm. Pf. 2.1p
Halliburton $0.25
Leeds Permanent Bldg. Society Sb. Var. Rate Nts. £245.84
Marine Midland Bank Fltg. Rate Sb. Cap. Nts. 1996 $132.71
Midland Bank Und. Fltg. Rate Prim. Cap. Nts. (June 1985) $254.17
Riverview Rubber Ests M$0.10
Unilever 5.2p
Unilever NV FL1.48
Woolwich Bldg. Society 9¾% Fixed/Fltg. Rate Nts. 1995 £51.01

■ **Thursday December 24**
Black & Decker $0.10
Lex Service 6½% Cm. Pf. 2.275p
Manchester 3% Rd. 75p
Do. 3% 1891 Rd. £2.00
Metropolitan Water Kent Water 3% Db. £1.50
Saehan Merchant Banking Fltg. Rate Nts. 1995 $481.86
State Bank of India Fltg. Rate Nts. 1997 $266.88

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Gartmore European Inv. Trust, 16-18, Monument *Street, E.C., 2.00*
High-Point, Institute of Directors, 116, Pall Mall, S.W., 10.00
BOARD MEETINGS:
Finals: **Abbey Panels**
Stakis
Interims:
Faupel Trading
Fletcher King
Ivory & Sime

■ **TOMORROW**
COMPANY MEETINGS:
Clyde Blowers, Livingstone *Street, Clydebank, 11.30*
Foreign & Colonial Eurotrust, Exchange House, Primrose Street, E.C., 12.15
Regina, Gresham College, Barnard's Inn Hall, Holborn, E.C., 10.30
BOARD MEETINGS:
Final:
Chrysalis
Interims: **Albrighton**
Batleys
Border Television
Foreign & Col Smaller Cos
I & S Optimum Inc. Tst.

■ **Wednesday December 23**
BOARD MEETINGS:
Finals:
Caspen Oil
Kelsey Inds.

Company meetings are annual general meetings unless otherwise stated.

CONFERENCES & EXHIBITIONS

JANUARY 11 1993
Mental Health At Work Conference
Sponsored by the Dept of Health in collaboration with CBI, TUC, IPM, ACAS, Dept of Employment, HSE and HEA, this conference is aimed at chief executives, personnel managers, occupational health professionals and health and safety representatives and will present the business case for corporate mental health policies. Contact: Professional Briefings.Tel: 071-233 8322.
LONDON

JANUARY 18 1993
Market Testing
350 Central Govt. professional, technical and office services to the value of £1.5bn are earmarked for Competitive Tendering in 1993. A one day conference where delegates can hear the procedures, identify the opportunities and meet many of the officials concerned.
Contact: Quadrilect tel 071-242 4141 fax 071 404 0258
LONDON

JANUARY 18-19 1993
Local Authority Pension Scheme Review
Course detailing the specific requirements and investment aspects relevant to Local Authority Pension Schemes. Essential for council finance staff, council members and investment managers. Contact Investments Education plc. Tel: 061-833 9656 Fax: 061-834 8050
LONDON

JANUARY 25-26 1993
Unit Trust Administration
A complete review of Unit Trust Administration and Operations including background Pricing and Dealing, Distributions, Reporting, Registration and Certification. Ideal for supervisors, staff and managers needing a detailed review. Course repeated regularly. Contact Investment Education plc. Tel: 061 833 9656 Fax: 061 834 8050
LONDON

JANUARY 25-27 1993
Investment Markets Briefing
Complete briefing on stockmarkets, bond markets, futures and options, institutional and portfolio investment. For IT executives, accountants, solicitors, trustees and other executives working in or with securities companies, but lacking detailed knowledge. Contact Investment Education plc. Tel: 061 833 9656 Fax: 061 834 8050
LONDON

26 JANUARY 1993
PEP Administration
A complete overview of PEP operations and administration including an explanation of the product and relevant investment content. This course is for PEP managers, supervisors and staff lacking a coherent view of the whole system. Course repeated regularly. Contact Investment Education plc. Tel: 061 833 9656 Fax: 061 834 8050
LONDON

1-2 FEBRUARY 1993
Money Market Operations For Public Bodies and Institutions
A practical course on Money Market Operations including the instruments, dealing, use of credit ratings, control and legal aspects. Essential for local government and corporate treasurers and bankers to public bodies. Contact Investment Education plc.
Tel: 061-833 9656 Fax: 061-834 8050
LONDON

FEBRUARY 3-4
A Trustee Briefing for Unit Trusts
A complete overview for Trustees and Custodians of all Unit Trust Operations, including Legal Responsibilities, Regulation and Compliance, Taxation, Trustee Operations in practice, Pricing and Dealing, etc. Contact Investment Education plc.
Tel: 061-833 9656 Fax: 061-834 8050
LONDON

FEBRUARY 8
Bonds and Fixed Interest Markets - An Overview
Provides a comprehensive overview of the major bond and fixed interest markets, their instruments and workings. Course repeated in various European locations. Contact Investment Education plc.
Tel: 061-833 9656 Fax: 061-834 8050
LONDON

FEBRUARY 8
Foreign Exchange
Provides an excellent and comprehensive understanding as to how foreign exchange markets work, the use and calculations involved, etc Course repeated in various European locations. Contact Investment Education plc
Tel: 061-833 9656 Fax: 061-834 8050
LONDON

FEBRUARY 9
Corporate Actions
A detailed review of Corporate Actions including Rights, Scrips, conversions, interest and dividend payment, etc Essential for all those working with securities and investments
Contact: Investment Education plc.
Tel: 061-833 9656 Fax 061-834 8050
LONDON

FEBRUARY 10-11
Global Custody
A practical overview of the many operations involved in Global Custody including Stock Borrowing and Lending Essential for all those working with securities and investments.
Contact Investment Education plc.
Tel: 061-833 9656 Fax. 061-834 8050
LONDON

FEBRUARY 11 & 12 1993
The Russian Oil Industry: Foreign Investment Opportunities
Convened by The Centre For Foreign Investment & Privatisation, Moscow, Petroleum Intelligence Weekly and The Royal Institute of International Affairs. Sponsored by Bankers Trust Company, ENI, Price Waterhouse and Shell International.
Enquiries: RIIA Conferences.
Tel: 071-957 5700. Fax: 071-957 5710.
LONDON

FEBRUARY 18 1993
IT Investment Appraisal
This one day conference is devoted to improving corporate performance in the critical area of IT investment appraisal. The event draws on the practical experience of managers from leading organisations, and reviews a variety of the latest methods and tools.
Contact: Business Intelligence.
Tel: 081-544 1830. Fax: 081-544 9020.
LONDON

FEBRUARY 15-16
Establishing Futures and Options Unit Trusts
A detailed review of the Regulatory, Legal, Product and Accounting areas essential in setting up a UK Futures and Options Unit Trust. Parallel course in Luxembourg - details on request.
Contact Investment Education plc.
Tel: 061-833 9656 Fax: 061-834 8050
LONDON

FEBRUARY 22 1993
London Motor Conference
The conference will look at the challenges and opportunities facing the European motor manufacturing and components industry and review developments in distribution and franchising.
Enquiries: Financial Times.
Tel: 071-814 9770.
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Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 21st day of January 1993 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Haji Roussos FCCA of Julia House, 3 Themistocles Dervis Street, P O Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 21st day of December 1992
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Liquidator

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Further to the DIVIDEND DECLARATION of 23rd November, 1992 NOTICE is now given that the following distribution will become payable on or after 16th December, 1992 against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

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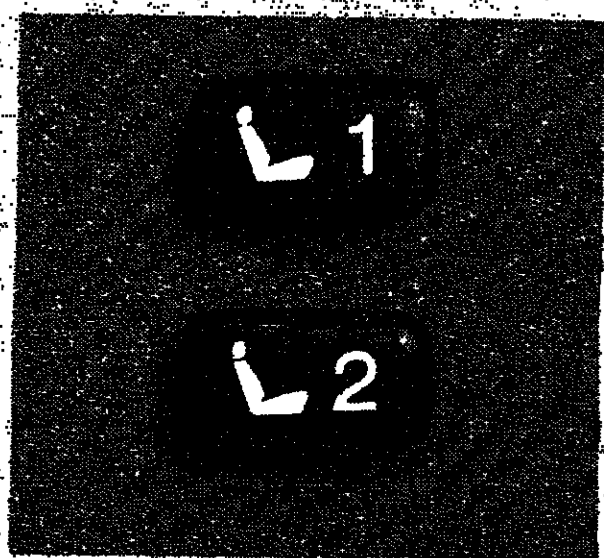
Although we all know men and women are made differently, *Lexus is the first car to have spotted it.*



Sit behind the wheel of a Lexus LS400, press a button and it recognises you. It adjusts the seat, the steering wheel, the outside mirrors, the safety belt and the headrest to the positions you've told it you like. It's the same but different story when your spouse gets behind the wheel and presses the other button.

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MANAGEMENT

What does it take to be a business guru? **Christopher Lorenz** finds the nature of the job is changing as the experts listen to their own advice

Warhorses on parade

Famous gurus Peter Drucker, Charles Handy and John Sculley are generalists but David Nadler reflects a new wave with a more focused approach (pictures left to right)

AT FIRST glance, it seems quite like old times. Almost all the well-worn international warhorses have just reappeared on parade, or will do so during the next 12 months. In the front rank, as for the past decade, stand one Canadian, Henry Mintzberg, and four Americans: Rosabeth Moss Kanter, Tom Peters, Michael Porter, plus the captain of them all, Peter Drucker. They are now accompanied by an old British hand, Charles Handy, who has been accepted as an international leader only in the last 18 months.

But behind them, things are stirring in the lesser ranks.

Struggling to be noticed, and succeeding handsomely from time to time, is a fresh breed of warriors with a more focused approach to business warfare.

Most of them are also Americans, such as David Nadler, Peter Senge and George Stalk. But they also represent a rather broader smattering of nationalities, including – appropriately for the guru business – several Indians.

Military metaphors are more appropriate than one might think for the world of business gurus. True, the rivalry between them for fame and fortune is decidedly cerebral, and most go to great lengths to be polite about each other – in public, anyway.

Many of their ideas also overlap. Most agree on the changes being wrought by the growth of "knowledge-based organisations" (in Drucker's phrase) and by the accelerating pace of change in every aspect of business, including the need for managers and other employees to be "liberated" (a Peters-ism) from the bureaucracy which often stifles companies.

But some clashes of approach will emerge with a vengeance in 1993, to a degree which could create a real battleground around one particular book next autumn (see right).

Battle is certainly the right word for the commercial jostling going on between publishers to promote their younger authors as tomorrow's Moss Kanters, Handys, Porters – even perhaps Druckers.

The redoubtable Drucker, who at the age of 83 is still producing a new book a year, has already sold 80,000 copies in the US of this year's Managing For The Future, 90,000 in Japan and more than 40,000 in its UK edition. Tom Peters, whose fatter blockbusters now tend to appear about every five years, is thought to have chalked up over 750,000 copies just in the US of his last book, Thriving on Chaos (1987). His new one, Liberation Management, hit the ground running on its publication a few weeks ago.

These days, book sales are only the base of the guru business. Way above them, in terms of dollars per hour of expended effort, soar videos (selling at $2,000 or more per cassette), speeches and consulting. With speech fees of $25,000 a session (or up to $50,000 for Peters), plus US consulting fees which can reach several times a senior business professor's salary of up to about $140,000, even a minor guru is minting it.

In Europe such fees are lower, but they can still propel a professor-guru to several times his (rarely her) academic salary. The Brussels-based Management Centre Europe runs an especially broad range of conferences for top executives which star old warhorses as well as younger specialists in strategy, marketing, technology, leadership, human resources and so on. Many are continental Europeans.

Such activities can put even European academics on a similar level of overall earning power as the businessmen-gurus (there are few women as yet). The appeal of most such people tends to be domestic. But, as John Sculley has found in the US, Sir John Harvey-Jones in Britain and Alain Minc in France, that does not make them paupers.

Meanwhile several of the best known US and European academic names are thought to have almost trebled their earning power as speakers in recent years by signing up with an agency which made its name by acting for the original Star Trek crew and Vincent Price, the horror actor. Which is entirely appropriate given the entertainment value offered by the best of the mega-gurus.

But what of the research and ideas behind all this mammon? The way things are shifting is evident from the events of the past decade.

When business books first exploded into mass-market products in 1982, most business gurus were generalists. Their doyen, Peter Drucker, exemplifies the genre by his very stretching of its boundaries. Alone among the business gurus, he can range comfortably from advising on individual management styles and organisational culture right into macro economics, politics and society. He does so again with his latest book, Post-Capitalist Society, which will appear in a few weeks' time.

From the "soft", organisational end of the spectrum, Charles Handy comes closest to him, but would not pretend to Drucker's economic expertise. At the "hard" end of the spectrum, Harvard economist Michael Porter plunged into the world of business strategy and transformed it before broadening his field still further by turning to the competitive advantage of nations. His latest foray has been into the US capital investment system, the subject of a big book next autumn.

Like Handy, Moss Kanter and Peters use society as a backdrop to investigate the shifting nature of business organisations.

Apart from Japan's Kenichi Ohmae, the list of today's mega-guru generalists stops there. By contrast, most recent books have plunged into detail about only one or at most two of these areas.

Whereas much of the focus in the mid-1980s was on business strategy – including globalisation, product differentiation and alliances – almost the only outstanding strategy book of the last few years, other than Ohmae's, has been Pankaj Ghemawat's Commitment – The Dynamic of Strategy (1991).

Instead, the main focus of most business books since the late 1980s has been on organisational issues. They have ranged from a spate of works on quality to a rush on the management of change. Since 1991 there has been a veritable flood on "organisational architecture", "business process redesign", and various aspects of so-called "organisational re-engineering".

This shift of emphasis by so many writers is no coincidence. It reflects two trends. The first is the growing preoccupation of business people with the difficulties of implementing strategies, and with the urgent need to make their organisations more cost-effective and responsive to customers.

The second reason is what one might call the coming-of-age of the business books business. As industries from cars to fast food have matured, business academics have advised them to "segment" (specialise) their markets more.

The academics are now applying the same formula to themselves, partly to create more demand, and partly in response to the growing sophistication of the customer. Thanks to all the generalist literature of the early and mid-1980s – from In Search of Excellence to the One Minute Manager series – most managers have learned basic concepts, and want to focus on the complexities of how really to make things happen.

That, with the exception of the mega-gurus, is why most books now tend to be relatively specialised. But it will also make it harder for the new generation of authors to ring the changes often enough to be able to return to the battleground with a string of best sellers. To be a true guru, you have to do that.

A bumper year in store for books about business

Judging the most internationally influential business books of any particular year is always a hazardous exercise.

But in 1990 they were probably George Stalk and Tom Hout's Competing Against Time, plus Richard Pascale's Managing on the Edge, which dealt with the challenging task of revitalising companies by making them "engines of inquiry".

In 1991 Peter Senge's The Fifth Discipline almost certainly took the prize; this focused on the formidable topic of systems thinking, as part of the broader concept of how to turn one's company into a learning organisation capable of adapting to – and even anticipating – all the changes in its competitive environment.

Ripples from Senge's work have continued to spread this year, especially in Europe, where it was published only last winter. A similar delayed impact has occurred in the US over the past 18 months with Charles Handy's The Age of Unreason, which first appeared in Europe in 1989.

Apart from the latest works of Drucker, Peters and Moss Kanter (with The Challenge of Organisational Change), one of the most internationally influential books published in 1992 was Corporate Culture and Performance, by Kotter and Heskett of Harvard, which shows how companies can be made more adaptive.

The new year promises to be a real cracker. Apart from the continuing impact of Peters (with his Liberation Management), and the new Drucker and Porter, the 1993 schedule includes Handy's The Age of Paradox, a new Stalk & Hout on Gaining Time, and a Henry Mintzberg attack on strategic planning.

One book awaited with special eagerness in the trade is Competing for the Future, by C. K. Prahalad and Gary Hamel. This will be the first book co-authored by these two professors, but as authors of a string of influential articles in the Harvard Business Review over the past few years, they have built an exciting reputation, which sparked an energetic publishers' auction for their signatures. It was won by Harvard.

With Mintzberg in support, the book will bring strategy back to centre stage after almost a decade. It will set the cat among the pigeons in two senses: by attacking the west's allegedly unimaginative strategic thinking over the past 20 years; and by challenging the current American obsession with "re-engineering" and operational improvement. It could also catapult the duo towards popular guru status.

Go to work on some calcium

What do such diverse things as teeth, bones, oyster shells, chalk, limestone, marble and pearls have in common? Calcium. This mineral is essential in maintaining bone density, nerve transmission, heart beat regulation, muscle contraction and blood clotting.

Moreover, researchers are finding increasingly important roles for calcium, notably with regard to heart disease. More than 95 per cent of the body's calcium is in the bones.

One's need for calcium increases steadily through adolesence. Between the ages of 20 and 40, calcium increases bone density and thickness. Osteoporosis, or "porous bones", is a gradual loss of structural minerals (decalcification) which begins in adulthood and progresses with age.

If you are worried about osteoporosis, consider these measures:

- Take regular exercise. A 20-30 minute walk three times a week will help to keep your bones strong and healthy.
- Don't smoke.
- Have only moderate alcohol and coffee consumption.
- If you are a woman, discuss estrogen hormonal replacement with your doctor.
- Increase daily calcium intake. Calcium-rich foods include low-fat skimmed milk, yoghurt, cheeses, leafy greens, canned salmon, sardines with bones, kale, broccoli and tofu.
- Avoid aluminium-containing antacids.
- Avoid eating excessive protein.

If you feel that you are unable to get enough calcium, either because of insufficient intake or excessive loss – through drinking of alcohol and coffee – you could consider calcium supplements. However, as extra calcium intake can be associated with kidney stones, check with your doctor before beginning such a regime.

Dr Michael McGannon
The author is the medical director of the Insead Business Health course.

PEOPLE

Wambold spearheads Lazard's international corporate finance

Ali Wambold, a partner of New York's Lazard Frères & Co, has been given the task of spearheading the international corporate finance business of its London relation, Lazard Brothers & Co.

Wambold, 38, who is responsible for UK and European investment banking for Lazard Frères, has been based in the London headquarters of Lazard Brothers for several years, and will continue as chief executive of the New York firm's London business.

However, his appointment as a managing director of Lazard Brothers, with "particular responsibility to lead the firm's international corporate finance business", is a further sign that the three Lazard banking houses – in New York, London and Paris – are working increasingly closely together. Although all three firms have been successful in their home markets, the growing amount of international corporate finance work has resulted in a need for better co-ordination.

David Verey, chairman of Lazard Brothers which is 50 per cent owned by the Financial Times' parent Pearson, says that Wambold's job is new, but adds that it was the "message rather than the title" which was important. He said that Wambold, who is descended from the old Persian royal family, had become "very much part of the firm" and had "great energy, guts and go".

Wambold started his investment banking career on Wall Street, first with Lehman Brothers and then Lazard Frères where he helped found Corporate Partners, a $1.6bn investment partnership which takes friendly long-term stakes in major companies. Included among his outside directorships is a seat on the board of Albert Fisher.

Lazard Brothers has also announced the appointment of the following executive directors: John Collins, Anthony Coveney, Federico de Giorgis, Keith Jones and Nicholas Shott.

Robb joins Aberdeen Petroleum

George Robb, who has just resigned as chairman of Aberdeen Trust, is taking over the chairmanship of oil and gas producer Aberdeen Petroleum, a USM-quoted company he helped found in 1981. He succeeds Calum MacLeod, who has been the company's only chairman to date.

Robb, who remains on the board of Aberdeen Trust, says that Aberdeen Petroleum "suffers the problem shared by many small oil companies, namely that they are perfectly healthy but are just not big enough to generate any interest among the institutions. One of the challenges for me is to raise our profile."

Like Robb, MacLeod, 57, worked at a (different) firm of Aberdeen solicitors on the investment management side. He has since become a freelance company director, among other things chairing Britannia Life as well as being deputy chairman of Grampian TV. He is stepping down from the oil company, having been made chairman of the Grampian Health Board.

The company, which is headquartered in London and whose interests are presently entirely in the US, has recently made an approach to – and been initially rebuffed by – fellow-USM company Brabant, which is focused in the UK.

Alliance Resources

Norris Harris has resigned as a director of Alliance Resources, the struggling US-based natural resources company quoted in London. Harris had been appointed managing director of Alliance in October following the unexpected dismissal of chairman John O'Brien. Receivers were called in to Alliance by Manx Petroleum, of which O'Brien is also managing director. At the same time, directors of its main operating company in the US – including Norris – filed for bankruptcy protection under Chapter 11. O'Brien has since been reinstated as Alliance chairman. Harris's resignation came as a surprise to the Alliance board. He had filed a request just one week earlier to run the group's exploration and production arm, although this had been rejected by Alliance's creditors.

LIT Holdings

■ **John Ruth has been appointed chairman and chief executive officer of LIT America, the US futures broker owned by LIT Holdings, having previously served as president and chief operating officer. He replaces David Vogel, who has left the company to take up a position at a US securities firm.**

Stephen Balsamo, chief financial officer of LIT America, has been made a vice-chairman and has also been appointed to the board of LIT Holdings. LIT Holdings also owns Johnson Fry, the financial advisory group.

BUILDING CONTRACTS

Malaysian airport

ANGLO JAPANESE AIRPORT CONSORTIUM has been awarded the £25m contract for the design and engineering development of the new international airport for Kuala Lumpur at Sepang by the Malaysian Government.

The consortium comprises Balfour Beatty, the construction arm of the BICC Group, GEC-Marconi, Trafalgar House Construction together with Gammon of Hong Kong, and Marubeni Corporation of Japan. It will shortly complete the masterplan study for the new airport, which was awarded in February this year, for which BAA in conjunction with JAC of Japan were lead consultants. Construction of the permanent works is expected to start on site in July 1993.

The Malaysian Government has identified and safeguarded a 10,000 hectare site for the airport near Sepang, some 50km to the south of Kuala Lumpur. The airport is scheduled to open in 1997.

The detailed engineering and first stage construction of the airport will include two runways, terminal buildings and associated infrastructure.

The masterplan for the airport includes proposals for a road and a dedicated rail line to Kuala Lumpur. It is intended that the project should be funded by a mixture of private and public finance.

AJAC are employing Sir William Halcrow & Partners together with Malaysian engineering companies - HSSI, SSP and Ranhill to carry out the design work.

Architectural design will be carried out by Akitek Jururancang together with Kisho Kurokawa of Japan.

Restoring infrastructure in Kuwait

As part of the Kuwait reconstruction programme following the Gulf War, UNITED GULF CONSTRUCTION (UGC) has been awarded what is believed to be the largest ever microtunnelling project in the Middle East, and probably the world.

The UGC contract, worth in excess of £1m, comprises more than 70km of sewer pipe and pipe refurbishment of which about 4.5km will be constructed with the aid of Iseki microtunnelling systems.

The works, designed by Associated Consulting Engineers of Athens, Greece, mark the start of the rebuilding of Kuwait's underground infrastructure.

The company is purchasing three Unclemole slurry-shield microtunnelling systems from Euro Iseki of Stratford-upon-Avon, England. Approximately 40 per cent of the microtunnelling work will be to install 250mm i.d. sewers.

Specially designed clayware jacking pipes for the sewer are being manufactured and supplied by Naylor Bros. (Clayware) from the Denlok range.

Work has commenced on the project, and will be subject to a continuous programme of method assessment. The Iseki packages and Naylor Denlok pipes will be delivered next January.

Birmingham rail development plan

The Passenger Transport Authority has accepted tenders totalling £14m to carry out civil engineering work on a new cross city rail link.

TRAFALGAR HOUSE CONSTRUCTION has been awarded a contract worth £7.7m to carry out bridgework and prepare the track formation for the four mile rail route from Birmingham Snow Hill to Smethwick. KIER CONSTRUCTION, MOWLEM (MIDLANDS) and AMEC CIVIL ENGINEERING have won the contracts to build new stations at the Jewelley Quarter (£2m), the Hawthorns (£1.5m) and Smethwick Galton Bridge station (£2.9m) respectively.

Contracts to carry out track, signalling and associated works will be let at a later date.

The £23m project will create a Stourbridge/Worcester to Stratford /Leamington cross city link via Snow Hill and Moor Street. The Transport Authority is using £15m of its own capital receipts, backed by a £5m European Community grant and £3m from Regional Railways to finance the project.

With an extra 40,000 passengers a week expected to be attracted by the link, extra passenger income means that the scheme will pay for itself within 15 years. The project will link the Jewellery Quarter and West Bromwich to the rail network and improve reliability for Stourbridge commuters.

It will also ease capacity problems on the Wolverhampton/New Street line, so that plans for a new station to serve the National Indoor Arena and ICC can be developed. The link is expected to be open by summer 1995.

£7m hospital work for Higgs & Hill

HIGGS & HILL companies have been awarded hospital contracts worth a total of £7m in Norwich, Tameside, Bradford, Wolverhampton and Worthing.

Higgs & Hill East Anglia has been awarded a £3m contract by the East Anglian to construct a three and four-storey building in the grounds of the University of East Anglia, in Norwich.

Higgs & Hill Northern is to undertake £1m of refurbishment and new build work to create an integrated paediatric unit at Tameside General Hospital for the Tameside and Glossop Health Authority.

Higgs & Hill Northern has also been awarded two further contracts, worth £1.4m, adding to the extensive programme of work it has already undertaken at St Lukes Hospital in Bradford. One of the contracts is to be undertaken in joint venture with Haden Young.

The first contract is a satellite building to house a new services centre.

The second contract involves the construction of a satellite building to create a staff restaurant, snack bar and coffee bar within the new extension to serve the rest of the hospital.

Improving Brighton's sewerage system

When you're lying on Brighton beach next summer put your ear to the shingle and listen carefully: 30 metres below you sophisticated tunnelling equipment and dozens of construction workers will be carving a cathedral-like cavern out of the chalk.

When completed, you will be able to drive a double-decker bus through the six metre diameter and five kilometre long tunnel, which will stretch from one end of the beach to the other – from Brighton marina to Hove.

Technology similar to that used in the Channel Tunnel will be employed to excavate the £30m tunnel, which is designed as an overflow for Brighton's wastewater system, to be used in heavy storms.

Although the primarily Victorian sewerage system serving Brighton and Hove is still in excellent condition, there is a risk of overflow into the sea during particularly heavy rain.

The tunnel will eliminate this risk by collecting and storing the excess wastewater, which after the storm will be pumped to the treatment works for normal treatment.

The tunnel's storage capacity will be 123,000 cu metres or about 26m gallons. The main entry point for tunnelling will be at Black Rock to the east of Brighton and will be extended westward to Hove. Four dropshafts will be constructed on the foreshore to intercept storm overflow discharges.

Contracts are expected to go out to tender this week and work is expected to take three years to complete.

The tunnelling project is part of a programme which will see Southern Water investing more than £3m each week for the next 10 years on a large number of projects throughout its supply area.

CONTRACTS AND TENDERS

Martyred to concrete

Colin Amery samples the architecture of Jean Nouvel

DELPHIC utterances about the future of the world ring out in the darkened galleries of London's Institute of Contemporary Arts, as 12 flickering videos and a multi-screen of giant slides evokes the world of the current darling of French architecture Jean Nouvel.

M. Nouvel, although he was only born in 1945, is an architectural agent provocateur of the old school. He is pleased to be described as ruthless and is one of those architects who tells the residents in his buildings exactly what colour their walls and blinds are to be.

One of the video presentations shows the bare concrete walls of some public housing that Nouvel designed and the subsequent treatment of the same walls by the tenants... I am sure the ICA hopes we will all side with the artistic purity of the architect, but I was entirely on the side of the bullied tenants who did not want to live in monastic cells, martyrs to the cause of varnished concrete.

Jean Nouvel's best known building is L'Institut du Monde Arabe on the left bank of the Seine in Paris, the first of President Mitterrand's Grands Projets. It is a beautiful and ingenious creation. The element of the building that has become famous is the south wall which is a modern version of an Arabian screen. This is not built of stone, but of steel and glass, controlling the light entering the building by means of elaborate moving parts.

Opening and closing diaphragms that work like the eyes of a camera also compose themselves into traditional geometric patterns.

A great hypostyle room in the building is reminiscent of the great mosques of the Islamic world. Nouvel's success in this building is to have linked two cultures, both visually and technologically, in an apparently simple way. A panel from the facade of the institute is on show in the ICA which looks both beautiful, complex and expensive.

Eight key buildings are displayed in the exhibition, all shown in slide and video form with little comprehensible commentary. This perverse way of exhibiting has been devised by the architect himself. He designed a similar exhibition in Paris a few years ago, in an attempt to convey his belief that architecture and cinema are closely related.

Architecture does indeed exist as part of a dimension of time and movement and I am inclined to agree that much of the architectural experience is to be enjoyed as part of a movement through a succession of spaces. However, Nouvel tells us this as though Baroque, Mannerist and indeed Gothic architecture had never existed.

The eight buildings show the range of Nouvel's work. His public housing, Nemausus in Nimes, resembles a boat with staircases and balconies running around the outside of the "hull". The architect explains the appearance as "drama and narrative of voyage where space and light contributes to the dignity of each dwelling". Of course...

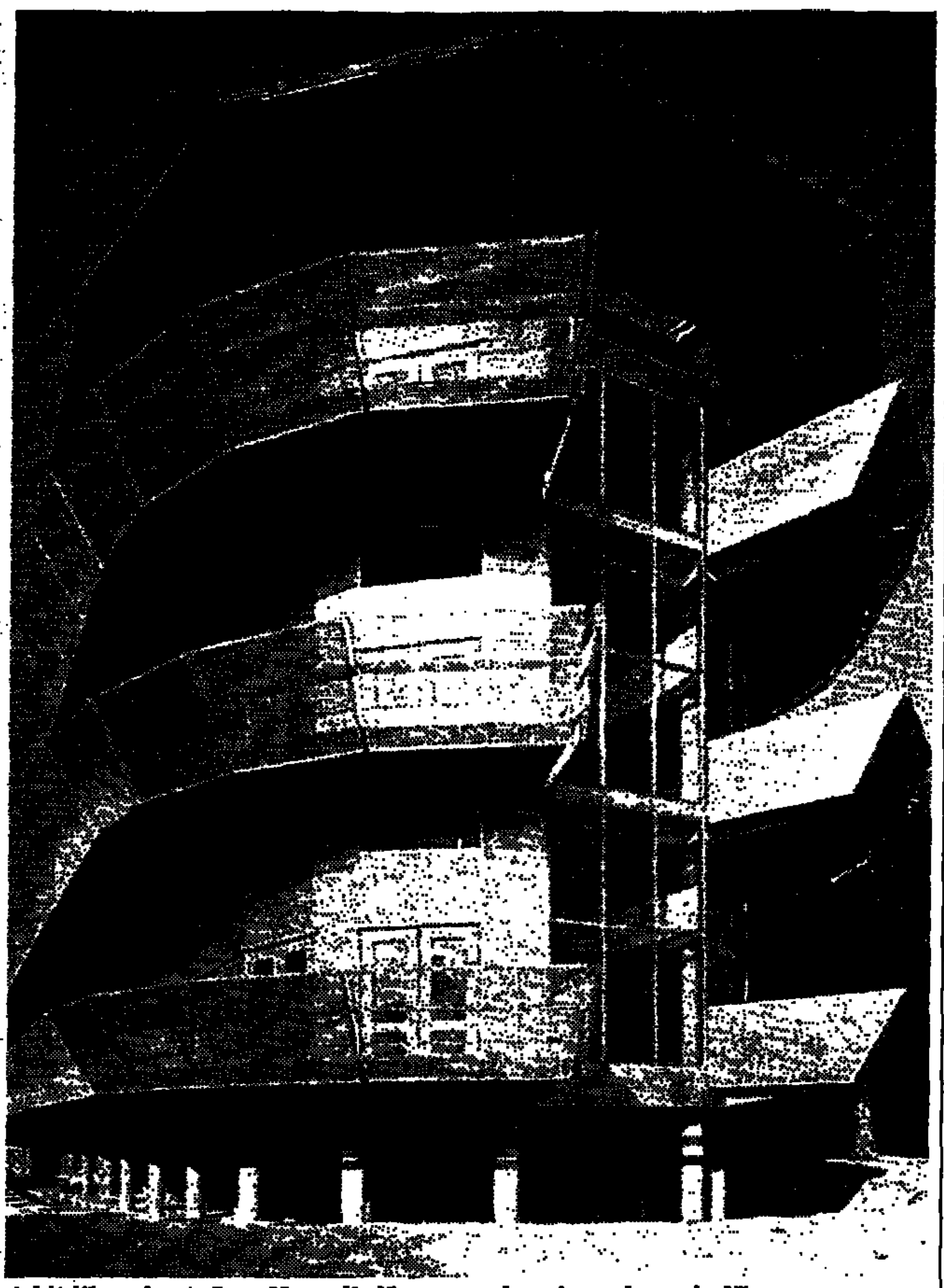
It is possible to enjoy the full Nouvel cuisine by staying at one of the hotels he has designed. The Hotel les Thermes at Dax in France is a simple glass box covered in wooden shutters, "the narrative of light and shade..."

More interesting is the Hotel Saint-James on a hillside site overlooking the Garonne in Bordeaux. Here the modern sets of rooms are clad in rusting metal duckboards so that the whole complex resembles the tobacco drying sheds of the area. The hotel rooms are simple with waxed concrete walls and plaster. The sensual gratification comes from the food of the brilliant young chef, Jean-Marie Amat, who commissioned this hotel at Bouliac.

One room at the ICA is furnished with chairs and tables by Jean Nouvel where you can immerse yourself in the Nouvel experience by reading every known article and book about him. It is important not to miss two projects. The giant Tour Sans Fins the tallest and most slim tower in Europe. It will soar transparently against the skies of Paris, alongside the arch at La Defense, to a height of over 420 metres. The renovations of the Lyons Opera House will open next spring, and they show a sensitivity to the old house as well as some exciting additions.

Apart from the pretentiousness of this exhibition it demonstrates that Jean Nouvel is an interesting architectural figure. His work is beautifully executed and sometimes original and he draws upon a rich range of contemporary cultural experiences. The work has a confidence and pragmatism that is admirable.

Jean Nouvel Emmanuel Cattani et Associes, Institute of Contemporary Arts, The Mall, London, SW1 until February 14



A bit like a boat: Jean Nouvel's Nemausus housing scheme in Nimes

Barbican/ Malcolm Rutherford

Hamlet

Adrian Noble's new production of *Hamlet* at the Barbican must be among the best you are likely to see. One of the main reasons why is that Noble plays the text in full – the performance lasts 4½ hours. As a result, not only do you learn more about Hamlet the man, but also about the society in which he lives.

It is only possible to mount a production like this if you have supreme self-confidence. Noble has confidence in every word of the text, in the actors, in the designer and above all in his own ability to see the play as a whole. He directs *Hamlet* as if it were a symphony with some startling changes of pace and an eye for detail down to the smallest player. It is a very moving play, to be sure, but this is the first *Hamlet* where you might be tempted to weep at the death of Gertrude.

Noble works by symmetries. One of the most notable is Polonius and his family. Although there is no mention of a mother, it is obviously a happy one which knows its place in the court: below the royals, but above much of the rest - hence Ophelia's Christian burial.

David Bradley's wonderful Polonius is not a buffoon, but a well-educated civil servant plainly regarded as efficient by the king. When Hamlet says of him in front of the players "He's for a jig or a tale of bawdry, or he sleeps", we know that the prince is being unfair. Polonius also has genuine fears that his daughter is getting out of her depth by being wooed so close to the throne.

The first time we see Ophelia (Joanne Pearce) she is in a nursery bedroom, with an upright piano, painted in nursery colours, in the background. She is a young girl growing up and only beginning to use powder and paint. Only a few signs, but there are enough, give a hint of future turbulence. Ms Pearce knows how to conserve her energy: the mad scene when it comes is devastating.

Hamlet refers to the symmetries himself when he says of Laertes "For by the image of my cause I see the portraiture of his" - another family broken up. And even Claudius, in lines that are sometimes cut, acknowledges that the Queen has removed herself from him, "But that I know love is begun by time..." The remarkable fact about this court is that everybody thinks and broods.

The symmetries come out in the language as well. Horatio's "Good night, sweet prince" echoes Ophelia's earlier "Good night, ladies." Every word counts, every word fits. The sets by Bob Crowley never intrude too much. Only once does Crowley go for the spectacular when the court of Denmark turns out to have its own red and gilt theatre for private performances. At the front of the stage is a slightly overgrown miniature cemetery. It serves for Ophelia to pick her flowers.

There are innovations as well as fidelities. In the play scene, Kenneth Branagh's Hamlet takes the word "merry", which is how Ophelia describes him, literally. He appears to be drunk. And when the play within the play reaches a climax, Hamlet commits the crime himself. When he declines to kill Claudius while the king is at his prayers, he leaves his sword behind for Claudius to see. He plays the early part of the nunnery scene with Ophelia as if he genuinely wants her to be looked after; only when he senses the presence of Polonius does he become rough.

There are some magnificent details. One incident requires no words, but speaks volumes about Horatio (Rob Edwards). He may be a learned man and a good friend of Hamlet, but he is not at home in evening dress. Look at the way he wears the waistcoat and tails which have clearly been hired for the court dinner.

Then there is Osric, played by Guy Henry who will be remembered for his Ananias in the RSC's splendid production of *The Alchemist*. This is not the customary fop, but a courtier of some dignity capable of standing up to Hamlet's insults and discharging his duties.

In almost any other production, one would have discussed Hamlet first, and indeed Branagh's performance is faultless. He looks young, has short hair, but I suppose Hamlets are getting younger. There is no doubt of his love for Ophelia, but he is also capable of being cruel and arrogant. He is perhaps not quite as different from the rest of the court as is sometimes supposed. The principal triumph, however, is not to steal the show.

Only two quibbles. It is surprising that in the line "Madness in greatness must not unwatched go" Noble allows the word "unwatched" to be pronounced as if it had only two syllables. And judging by the sound effects, Hamlet appears to set off for England by train. The production is financially supported by Unilever.

Faultless performance: Kenneth Branagh's Hamlet

Opera in Paris/Ronald Crichton

Saint François d'Assise

Nine years after a tentative first production at the Palais Garnier, Messiaen's only opera returns to Paris. Not to the old home but to the Opéra Bastille, in a new and radically different staging by Peter Sellars, first seen at this year's Salzburg Festival. The cast, headed by José van Dam in the title-role, is the same except for Robin Leggate who now sings Brother Elie. The Paris Opéra chorus and orchestra are conducted by Sylvain Cambreling.

Sellars, who was able to discuss his ideas with Messiaen before he died, has modified the staging given at Salzburg in the picturesquely problematic Rocky Riding School to suit the Baalsoe stage, still large but normal in shape and fully equipped. The set by George Trypin, with a great chapel-like structure of skeletal wood and a slanting panel of neon tubing flashing on and off with (though you might not immediately guess so) Fra Angelico colours, looks very fine. The by now notorious TV sets described by David Murray after Salzburg are very much in evidence, flickering and blinking, eclipsing a shy little board with French and English surtitles. Sellars has said that the flickering motion relates to mystical experience – a daunting prospect.

Sometimes the screens distract because one cannot see what is on them, sometimes because one can. In the Sermon to the Birds anyone who likes feathered friends is sorely tempted to stop listening and go bird-spotting. Most of the screens are arranged in a double frame round the proscenium arch. Those on stage, disposed in various ways, too often make it hard to distinguish principals standing in front of them. With too much light directed at the audience the singers' facial expression is at a discount. In spite of various aggravations, when the magnitude of the problem is taken into account, this is an impressive staging of a major but extremely demanding work.

It is futile to engage in discussion as to whether or not *Saint François* is "really an opera". It is not, and was not meant to be one in the sense of *Don Giovanni* or *Lohengrin* or *Otello*. Surely what matters is, on Messiaen's chosen ground, does it work in the theatre? After hearing the live recording of the original production I felt that although he had little inborn theatre instinct, in certain scenes (the Leper, the Angel as musician and the Stigmata) Messiaen reveals himself as a musical dramatist of considerable power. Having now seen his opera on the stage I am tempted to modify that to "musical dramatist of an in every way exceptional kind."

Anyone who likes feathered friends is sorely tempted to stop listening and go bird-spotting

In the theatre the four hours of music seemed even longer than on record. The principal reason for that is the static nature and almost uniformly slow, hieratic pace and metrical sameness of the declamation. Here something unexpected happens. Messiaen is careful with the vocal lines, many vocal phrases, especially in the Saint's part, being unaccompanied, between instrumental outbursts. But increasingly, as the evening went on I found the words difficult to catch. Not the fault, surely, of this expert cast, nor I think in this case of the Bastille acoustics, but because the general pace is so far from the rise and fall of normal speech. Also because there was a miscalculation about the ability of soft singing and half-voice to carry in this theatre. They do not carry, and José van Dam, sensitively suggesting François' growing physical weakness in the later scenes, suffered with the rest.

The exception was Dawn Upshaw, singing the Angel, the only solo woman's voice in the opera and as a result marvellously effective when done with such shining, secure tone and such gentle humour. The role is now split into two, with a "dancing angel" to mime such episodes as the stigmatisation. She, unlike her androgynously clothed alter ego, is allowed a real angel's costume, with wings.

One good point for the Bastille acoustics: the multiple bird song, the clanking, clicking tuned percussion and the gurgling, swooping Ondes Martenot sound notably well. The Opéra chorus was magnificent; the whole array was finely controlled by Cambreling. One longs now to hear more 20th century French opera at the Bastille – including the announced and then cancelled *Padmavâti* of Roussel. Any hope? On the first night of *Saint François* quite a few people in the stalls drifted away, to be swiftly replaced in the next interval by enthusiasts from higher up (London please note: top prices for this production were about £62). Everyone listened devotedly – how things have changed in Paris in this respect! The applause at the end easily drowned a few boos for the production team.

Five more performances until 29 December. Production shared with the Salzburg Festival and the Los Angeles Philharmonic.

Barbican Hall/ Richard Fairman

Bruckner Eighth Symphony

It was a busy night at the Barbican. No sooner had the theatre audience for the new *Hamlet* (see above) vacated the foyer than it was filled again by a capacity crowd gathering to go into the concert hall for Georg Solti's 80th birthday concert with the London Symphony Orchestra.

In fact, the evening marked a double anniversary. Although it had not been heralded in advance with much of a fanfare, the single item on the programme was a centennial performance of Bruckner's Eighth Symphony, first heard on 18 December 1892. Quite probably by chance, the event came as the culmination of an unusually high number of performances recently of this symphony: Andrew Davis precise and ordered, Franz Welser-Möst at Edinburgh noisily impassioned, above all Günter Wand creating a marvel of deeply-felt symphonic radiance at the Proms.

Like Wand, Solti has a lifetime's experience on which to draw. But his life in music has followed a very different path, leading him along cosmopolitan routes largely away from Austro-German territory, through the opera-houses of the world, taking in music from most national traditions, all of which has left a mark on the way he conducts in his years of seniority.

He also set out from a different starting-point. The fiery young Hungarian has never entirely been exstinguished. This performance of the Bruckner was not hard-driven in the way that so often brought Solti criticism earlier in his career, but it was strongly, even momentously dramatised. Those grand climaxes which in Wand's performance had risen as glowing affirmations of what had gone before here became combative and triumphal: a battle had been fought and won.

Still in fine form after its recent Sibelius cycle, the LSO supported Solti with well-judged playing, which ensured that louder passages did not blare or get congested, even in this hall, which might be thought inimical to Bruckner. In the end the very determination to conquer the symphony's majestic heights made the evening rise to the occasion.

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INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Deutsche Oper Tonight: Zar und Zimmermann. Tomorrow: Die Zauberflöte.
Wed: Hansel and Gretel. Fri, also Jan 1: Peter Schaufuss' new production of Nutcracker.
Sat and Sun, also Dec 31: Offenbach's Orpheus in the Underworld. Dec 28: Bejart's Ring Round the Ring. Dec 29, 30: Jiri Kout conducts Beethoven's Ninth Symphony (3410 249)
Staatsoper unter den Linden Tonight: concert of chamber music by Hindemith and Kurt Weill. Tomorrow and Fri: L'Africaine.
Wed: Hansel and Gretel. Sat, next Mon: Daniel Barenboim conducts Busoni's Die Brautwahl.
Sun: John Cranko's ballet The Taming of the Shrew. Dec 30, 31: Daniel Barenboim conducts Beethoven's Ninth Symphony (2004 762)
Komische Oper Tonight, also next Mon: Entfuhrung. Tomorrow and Fri: Giustino.
Sat: Swan Lake. Sun: Cav and Pag. Next Tues: La boheme. Next Wed: Eine Nacht in Venedig. Dec 31, Jan 1, 3: Johann Strauss concert (2292 555)

CONCERTS

Schauspielhaus Tonight: Alexander Rahbari conducts Berlin Symphony Orchestra in Elgar's Cello Concerto (Boris Pergamenshikov) and Shostakovich's Fifth Symphony (2090 2261). Tomorrow: Handel's Messiah (817 3364).
Wed: CPE Bach Chamber Orchestra plays works by Bach, Handel and Stamitz. Dec 31: Michael Schoenwandt conducts Berlin Symphony Orchestra in a concert of popular favourites (2090 2156)
SFB Grosser Sendesaal Dec 31 at 14.00 and 17.00: Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra and Chorus in Beethoven's Ninth Symphony (3025 054)
Philharmonie Tonight: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Lutoslawski, Berio and Rihm, plus Beethoven's First Piano Concerto with Maurizio Pollini.
Dec 30, 31: Abbado conducts a Richard Strauss programme, with soloists Martha Argerich, Cheryl Studer, Kathleen Battle and Frederica von Stade (2548 8232)

THEATRE

A new production of Ostrovsky's The Forest, directed by Thomas Langhoff, opens at **Deutsches Theater** tomorrow. The repertory also includes Hofmannsthal's The Tower and, at DT-Baracke, a new production of Sam Shepard's 1980 play True West (2871 225). The **Schaubühne** repertory includes Last Summer in Chulimsk, a 1972 play by Alexander Vampilov about Soviet stagnation under Brezhnev, and Jacob Lenz's play Catharina von Siena (890023).
Tickets and information for theatre, concerts, revues and nightclub shows available from **City Center Theater und Konzertkasse**, Kurfürstendamm 16 (tel 882 6563) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

■ GENEVA

Alain Marcel's French-language adaptation of Cole Porter's musical Kiss Me Kate can be seen at the **Grand Theatre** daily except Thurs and Fri till Dec 31. Jan 8-15: ballet production featuring new works by Itzik Galili and Christopher Bruce (311 2311).
Goldoni's play The Rustics, directed by Georges Wod and designed by Ezio Frigerio, can be seen at **Theatre de Carouge** on Dec 29 and 31, and daily except Mon from Jan 8 to 24 (343 4343)

■ MILAN

Myung-Whun Chung conducts an orchestral concert tonight at **La Scala.**
Luciano Pavarotti gives his last performance tomorrow in the title role of Don Carlo: there will be five performances in January with Sergei Larin.
The only performances during the holiday period are those of the Nureyev production of the Nutcracker, a production which can be seen on Dec 23, 30, 31, Jan 2, 3 (7200 3744)

■ NEW YORK

Metropolitan Opera Tonight at 18.30: James Levine conducts Die Walküre, with Gwyneth Jones, Jessye Norman, James Morris and Gary Lakes.
Tomorrow, Sat evening, Mon and New Year's Eve: Evgeny Onegin.
Wed, Sat afternoon, next Tues, Jan 2, 5, 8: Jenufa with Gabriela Benackova, Leonie Rysanek and Ben Heppner.
Thurs: Lucia di Lammermoor with June Anderson. Dec 30: La boheme with Leona Mitchell and Richard Leech.
Jan 1 and 4: Tosca with Anna Tomowa-Sintow and Lando Bartolini.
Jan 14: Levine conducts first night of Otto Schenk's new production of Die Meistersinger von Nürnberg, with a cast including Bernd Weikl, Hermann Prey, Karita Mattila and Francisco Araiza (362 6000)
Joyce Theater The Mysteries and What's So Funny, music theatre work by Philip Glass, daily except tonight, Thurs and next Mon till Jan 3 (242 0800)
City Center Alvin Ailey American Dance Theater, till Jan 3 (581 1212)
State Theater New York City Ballet presents the Balanchine production of Nutcracker daily except Mon till Jan 3, except Dec 24, 25, Jan 1 (870 5570)
Avery Fisher Hall Dec 30, Dec31: Leonard Slatkin conducts the New York Philharmonic Orchestra (875 5030)
Blue Note Jazz Club and Restaurant Dec 29-Jan 3: Chick Corea (131 West 3rd St, 475 8592)

■ VIENNA

OPERA

Staatsoper Tonight: La forza del destino. Tomorrow, Sat and next Tues: Christoph von Dohnanyi conducts Adolf Dresen's new production of Die Walkure with Hildegard Behrens, Robert Hale, Waltraud Meier and Placido Domingo. Wed: Die Zauberflöte. Sun: Nutcracker. Next Mon: Die Zauberflöte. Next Wed: Il barbiere di Siviglia. Dec 31, Jan 1, 3: Die Fledermaus. Jan 2: La traviata with Tiziana Fabriccini. Jan 5: La traviata with Cheryl Studer (51444 2960)
Volksoper Tomorrow, Wed, Sun: Hansel and Gretel.
Fri: Die Zauberflöte. Sat: My Fair Lady. Next Mon: Merry Widow. Dec 31: Die Fledermaus (51444 3318)
Kammeroper The company is marking its 40th anniversary with a new production of Rossini's Il Signor Bruschino.
Runs till Jan 23, with next performances tonight, Sat, next Mon, Dec 30 and 31 (513 6072)

CONCERTS

Musikverein 19.30 Daniel Barenboim and the Vienna Philharmonic play Beethoven's Third Piano Concerto and Sixth Symphony.
Tomorrow: Barenboim plays Schubert's Impromptus D935 and B major Sonata D960.
Wed: Erwin Ortner conducts Salzburg Baroque Ensemble and Arnold Schoenberg Chorus in sacred music by Schütz and Bach.
The 1993 New Year's Day concert is conducted by Riccardo Muti (505 8190)
Konzerthaus 19.00 Adam Fischer conducts Vienna Chamber Orchestra in a concert performance of Mozart's Mitridate, with a cast including Eva Mei and Jochen Kowalski.
Dec 30: Sandor Vegh conducts orchestral dance music.
Dec 31, Jan 1: John Eliot Gardiner conducts Beethoven's Ninth Symphony (712 1211)

THEATRE

Most of Vienna's theatres remain open throughout the holiday period, except Christmas Eve.
The **Burgtheater** has Goldoni's The Impresario of Smyrna directed by Claus Peymann and Kleist's Das Käthchen von Heilbronn directed by Hans Neuenfels.
The repertory also includes Durrenmatt's The Visit and Beckett's Waiting for Godot.
The **Akademietheater** has a new production of Chekhov's Uncle Vanya (51444 2218).
Theater in der Josefstadt has Shakespeare's Taming of the Shrew and Ariel Dorfman's Death and the Maiden (402 5127).
Theater an der Wien has Elisabeth, a new musical about the child bride of Emperor Franz Joseph.
No performance Dec 23, 24, 30 (588 30265)

● Tickets for Staatsoper, Volksoper and Burgtheater available on credit cards by ringing Vienna 5131 513

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

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Monday December 21 1992

Korea moves to maturity

FIVE YEARS ago, South Korea's first presidential elections for 16 years were scarred by violence. The opposition vote was split, allowing a former general to win in an atmosphere of recrimination. The electorate was fed up with politicians even as democracy was born. Contrast the vote for the next president, held last Friday. Riot police were not called into action during the campaign. Allegations of misbehaviour were relatively tame and have not included ballot-rigging. The losers conceded gracefully.

If the elections are a victory for democracy, they are also a remarkable achievement for Mr Kim Young-sam. The veteran opposition campaigner's 41 per cent share of the vote was far larger than he might have hoped. He will need this mandate to confront the challenges left by Mr Roh Tae-woo, widely seen as an ineffective president who has allowed the economy to slip.

It is not clear that Mr Kim has the skills for the job – though the same could be said of his opponents. He is a wheeler-dealer party boss and an effective politician, but – in the transition from anti-military campaigner to candidate of the ruling party he has built up political debts which might limit his freedom of action. He inherits an establishment machine which has proved sluggish in introducing vital reforms and often has a vested interest in slowing them.

There is little dispute about economic reforms, though Mr Kim's advisers advocated a slower pace than those of other candidates. Democracy brought a rise in wages which reduced Korea's competitiveness. Economic growth has slowed. High-technology industry must be developed and bureaucratic control loosened. The economy needs further opening to foreign competition.

Most delicate will be the attitude Mr Kim adopts towards the *chaebol*, the family-owned conglomerates. Many in the ruling party may feel unforgiving after the candidacy of Mr Chung Ju-yung, founder of Hyundai, the largest *chaebol*, and political flirtations of other industrialists. Any attempts to curb the *chaebol*, though necessary, should be tempered by fairness and recognition of their role in Korea's future development.

The political challenges are no less great. Above all, there is the ever-present possibility that collapse of the dictatorship in Pyongyang could suddenly present Mr Kim with the most difficult of all such tasks – re-unification with North Korea. Domestically, decisive leadership is needed to restore the confidence of voters, 16 per cent of whom opted for Mr Chung, a man without a political background.

As former campaigners for democracy, the victor and the runner-up, Mr Kim Dae-jung, are both remnants of a former age. To fight tomorrow's battles, a new generation of politicians – and probably, political parties – must be fostered. Only then will democracy have matured in Korea.

Five in a fog

IF EVER there were any doubt that the regulation of British broadcasting has fallen into a muddle, the decision to block the establishment of a fifth television channel removes it.

The Independent Television Commission was faced with a single bid for the 10-year Channel Five franchise from Channel Five Holdings. That bid was rejected because the commission feared the consortium was being too optimistic about its revenue and cost projections and because it was not satisfied about the financial commitment of the proposed members of the consortium.

As a result, British television viewers and advertisers may well be denied the development of the last part of the terrestrial TV broadcasting spectrum, which Channel Five Holdings had intended to use for a regionalised, big city-based alternative to existing services.

Whether the commission has acted properly within the terms of the 1990 Broadcasting Act will probably be tested by judicial review. The chances are that it has; it would be unlike the commission's lawyers to make a mistake of that kind, as it demonstrated by successfully seeing off legal challenges to its decisions in awarding the ITV Channel Three franchises which come into effect next week.

That does not necessarily mean the commission is right. Ten-year revenue projections are no easier in broadcasting than in any other business, and the bottom of the worst recession since television was invented may not be the most reliable vantage point for making a judgment.

As for the depth of commitment by members of the consortium, that is also something about which lawyers can quibble, but the names on the franchise application – Thames Television, until January 1 holder of the weekday London ITV franchise, Associated Newspapers, Time Warner, Cox and Pearson (owner of the Financial Times) – are scarcely lightweight.

But the crucial point is this: the ITC is failing to do what the Broadcasting Act intended it to do, namely to adopt a lighter touch than its predecessor, the Independent Broadcasting Authority, and to steer the ITV system towards a more open market, in which performance and takeover bids – rather than questionable franchise rounds – determine who comes out on top.

This point applies with particular force to Channel Five, an experimental, even marginal service, which can only succeed if it wins sufficient viewers to build advertising support. If a group of investors believes that it worth risking their money to test the viability of the new channel, it is not clear what public gain there is in the ITC thinking it knows better.

If a Channel Five consortium were to go bust after, say, four years, it would hurt no one but its shareholders. The government needs to watch the ITC's step.

Bonn's example

REUNITED GERMANY'S foreign affairs aim is to follow "a policy of good example", according to the well-intentioned though somewhat sanctimonious slogan coined by Mr Hans-Dietrich Genscher, Bonn's former foreign minister. In its approach to dispatching Bundeswehr soldiers to help the US-led army in Somalia, Germany is making heavy weather of meeting that objective.

Chancellor Helmut Kohl wants to send 1,500 troops to east Africa, probably in February or March, to distribute aid to starving Somalis. This is a welcome proposal. It illustrates Germany's efforts to play a more active role in international peace-keeping, and in world affairs in general, by throwing off some post-war shackles.

The German contingent's duties would be humanitarian: to organise supplies, transport and communications. The soldiers would be lightly armed, for self-defence. The plan is relatively modest. Yet it has been attacked by the opposition Social Democrats (SPD), who say it breaches constitutional limits on using military force abroad.

The chancellor has been talking for two years about changing the constitution to allow German armed forces to take part in international peace operations. There has been intense debate about Bundeswehr deployment outside Nato since the Gulf war, when Bonn sent Nato-assigned aircraft to Turkey to help protect it against Iraq. The conflict in former Yugoslavia has added to the need for clarity about Germany's potential peace-keeping role – even though memories of German troops' Yugoslav presence in the second world war would preclude deployment in Bosnia.

The German constitution can be amended only with a two-thirds parliamentary majority. So Mr Kohl needs the support of the SPD, which wants to restrict Bundeswehr operations to UN "blue-helmet" duties. During the summer, the SPD raised doubts over the legality of the decision to send a destroyer to help monitor the UN embargo of Serbia and Montenegro.

The question mark over that decision appeared incongruous, given Germany's interest in peace in the Balkans. obstructing the Somali plan would be still more difficult to justify. In a region unburdened by Wehrmacht legacies, dispatch of German soldiers to feed starving Africans could do nothing but good.

If, as the SPD intends, the German constitutional court is summoned to give its verdict on the Somali case, it should do so with all possible speed. Ultimately, however, decisions such as this hinge not on constitutional probity, but on political will. Germany, as the pivotal nation in Europe, must give itself the means to put its defence resources to the service of the international community. The country is being severely tested by the domestic challenges of reunification, but it also has wider responsibilities. Using German soldiers to help alleviate the suffering in Somalia would show the world that it is living up to them.

IBM is no longer a symbol of US industry, which is becoming more competitive, write Martin Dickson and Louise Kehoe

The dinosaurs arise again

There could not be a more startling contrast between two US high-technology companies: on Tuesday, International Business Machines, the world's largest computer company, announced plans for sharp cuts in jobs, manufacturing capacity and development spending because of dreadful fourth quarter sales. IBM shares plunged.

Just 24 hours later, Intel, the largest US computer chip manufacturer, sent its stock soaring when it said its fourth-quarter results would be well above Wall Street expectations.

IBM is such a large company, and was a bell-wether of the US stock market for so many years, that it is easy to see the crisis wracking the business as a symbol of America's supposed industrial decline.

Easy, but wrong. For IBM's core problem – and it is one which is about to hit the large Japanese computer manufacturers which for years have emulated Big Blue – stems from its failure to adapt fast enough to the revolution which has moved computing power from large mainframes to the desktop. Yet the companies which dominate the expanding personal computer market are also American, not Japanese. And an important reason for Intel's success is that these US PC manufacturers are the prime customers for its chips.

So, while IBM is struggling, the US high-technology sector in general is quietly prospering, and in some sectors winning back market share from international rivals.

For example, the US semiconductor industry, which a few years ago seemed about to be bludgeoned to extinction by Japanese competition, has revived so strongly that 1992 sales figures are expected to show America regaining world market leadership by a narrow margin, thanks to the success of the US PC companies, technical innovation and the opening up of the Japanese market. Mr Craig Barrett, senior vice-president of Intel, calls it the "revenge of the dinosaurs".

There are also signs, albeit much more tentative, of greater American competitiveness in other areas, from consumer durables such as automobiles to basic industries such as steel.

In short, the fashionable pessimism which for years has tarred the US with "the British disease", condemned to irreversible industrial decline, is beginning to look grossly exaggerated.

It is giving ground to a cautious optimism that, while the US will never again dominate world industry as it did in the three decades after the second world war, it may at least hold its own against Asian and European rivals in many sectors and excel in some of the most important.

This shift in perception is still in its early stages – pessimism was well represented at President-elect Bill Clinton's economic summit last week – but is being reinforced by two developments: America is gradually recovering from the 1991 recession; and Japanese industry is facing structural problems as it battles with domestic economic downturn, severe asset value deflation, and a shift of emphasis from market-share growth to profits growth.

Yet the US cannot afford to be complacent. For one thing, past economic shocks – such as the sharp rise in energy prices in the 1970s – have shown Japan to be remarkably resilient and creative in bouncing back from adversity.

Second, a smattering of market share gains cannot disguise the fact that many US companies remain uncompetitive. Look no further than the world's largest manufacturing business, General Motors, which faces a formidable struggle to return its loss-making North American operations to profit after years of arrogant, complacent drifting.

That said, GM's Detroit rivals, Ford and Chrysler, have greatly narrowed the quality and productivity gap with Japanese rivals, which control about 30 per cent of the US car market but for now seem to have stopped increasing their market share.

Third, the US still faces some severe, long-term structural problems which threaten industrial competitiveness, including rising healthcare costs (with business picking up most of the insurance costs), lagging investment in plant and equipment and one of the western world's least impressive school and vocational training systems.

Action in all these areas ranks high among Mr Clinton's priorities, although none can be solved simply by the wave of a federal government wand.

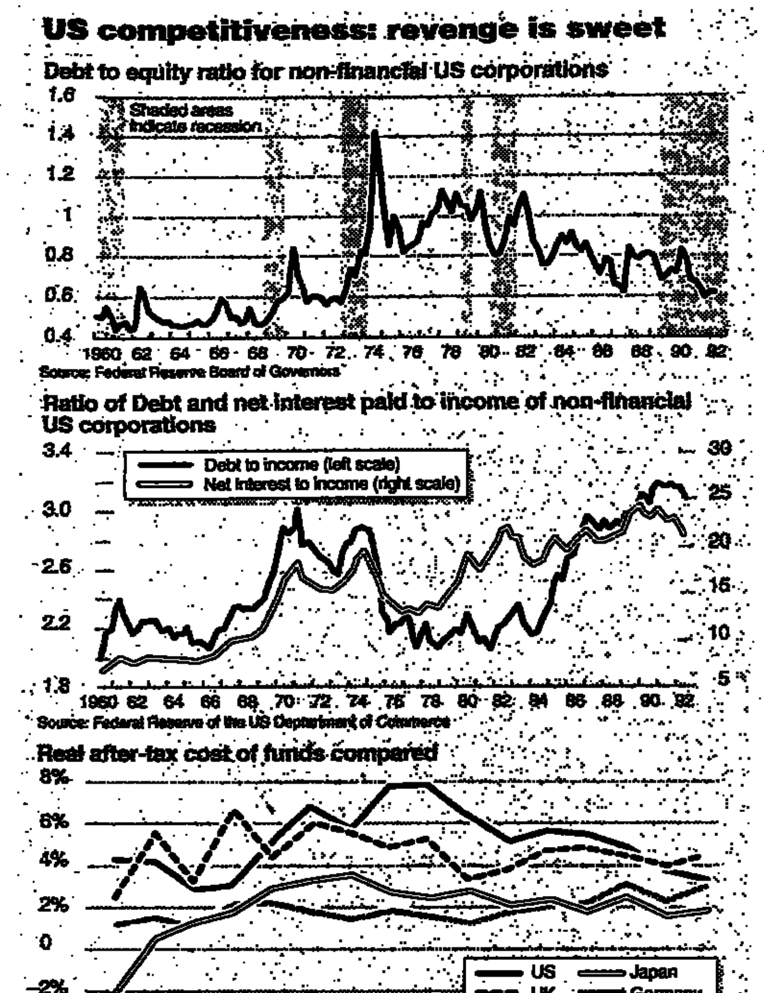
Many factors are contributing to increasing US competitiveness, but four ingredients stand out: an improving financial backdrop; wholesale restructuring of manufacturing industries over the past decade, coupled with investment in information systems which quicken decision-making; the adoption by many large companies of new quality control techniques, largely learnt from Japan; and selective government assistance.

In the financial field, exporting industries have been greatly aided by the sharp decline from 1985 in the value of the dollar, which most economists argue remains undervalued relative to other currencies.

Corporate America has also benefited over the past two years from a restructuring of its balance sheet. Many companies – ranging from food and tobacco group RJR Nabisco to paper company Georgia Pacific – were loaded down with debt in the 1980s, either because this was fashionable, or to help or hinder takeover bids, or to allow managers to acquire the business in a leveraged buy-out.

A reasonably high level of debt relative to equity does not inevitably impede competitiveness. Indeed, for much of the past 20 years German and Japanese companies have shown their heels to American and British rivals, despite being more highly leveraged. Academic research suggests that the cost of equity to a company – which is far from easy to measure – is substantially higher than the cost of debt.

However, there is no doubt that, in the prolonged economic expansion of the 1980s, many US companies leveraged themselves far beyond the point of commercial prudence, so that cash flow was inadequate to service their debts when the 1991 recession struck.



Over the past two years, though, corporate America has been redressing the balance with a wave of new share issues, ending a seven-year drought, and the ratio of debt to balance sheet equity has dropped sharply (see chart).

At the same time, a drop in long-term interest rates to 8¾ per cent, the lowest level for 15 years, has allowed companies to call in relatively high-priced debt and take on fresh borrowings at lower costs.

This, coupled with a gradual improvement in corporate profits, is improving business's ability to service its debt. Corporate interest payments as a percentage of income have dropped to about 21 per cent, compared with a peak of almost 25 per cent at the end of 1989.

However, this remains high by historic standards and analysts at Salomon Bros, the New York investment bank, warn that "much more restructuring and income growth will be required to restore debt-to-income ratios in the non-financial sector to levels that typically have accompanied sustained economic expansions".

US companies are also benefiting from a narrowing over the past two years of their cost of funds (both equity and debt) relative to Japanese and German rivals.

The beneficial effects of these financial trends have been reinforced by a widespread restructuring of American industry, which has been going on for roughly a decade, prompted both by global competition and, during the bid boom of the 1980s, by the threat of being taken over.

The restructuring – which began in capital-intensive manufacturing companies most exposed to international trade, but is now spreading through service sectors such as banking and retailing – includes job and plant cuts, mergers and the adoption of new production and quality-control methods.

Many large US companies have begun adopting the Total Quality Management methods pioneered by Japanese industry, which involve a minute attention to quality and just-in-time manufacturing throughout the production process, a devolution of responsibility to workers, and an overriding concern for the needs of customers.

While such techniques can have a profound impact on performance – Xerox, the copier company, and Motorola, the chip and electronics business, are outstanding examples – they have yet to be be adopted by most American companies and are no guarantee of success. IBM is one of the foremost advocates of TQM.

The US government has thrown its weight behind the quality movement with sponsorship of annual awards, and in a few cases has intervened more actively to help industry: Intel's Mr Barrett says the semiconductor trade pacts of 1986 and 1991, which forced the Japanese to open their market to US products, have allowed chip manufacturers to boost sales to Japan by $1bn a year. Federal government sponsorship also helped set up Sematech, a research consortium which has helped US manufacturers pool information on chip production techniques.

The net effect of these initiatives is better labour productivity, which grew at a healthy 2.5 per cent in the 12 months to mid-1992. Says Mr Stephen Roach, senior economist at Morgan Stanley: "Once the global economy begins to move ahead, US companies will be the beneficiaries of a tremendous amount of corporate restructuring. The only glitch could be a dollar surge."

However, Mr Kent Hughes, president of the Council on Competitiveness, a study group backed by big business and labour, warns that "while we did a lot of fat-shedding in the 1980s, it's not clear we added as much muscle as we should have", investing in new plant and equipment.

The US has one of the lowest ratios of business investment to GDP among countries belonging to the Organisation for Economic Co-operation and Development. Non-military spending on research and development has also lagged behind some of its rivals.

Such findings have generated an intense argument as to whether the US system of capital allocation is inferior to that of Japan and Germany, with stock market pressures forcing American companies to concentrate on excessively short-term goals.

But the current high-technology fight-back suggests US self-criticism may be overdone. Mr Barrett, for example, reckons that capital spending by the US semiconductor industry will rise 12.5 per cent next year, compared with a 12.7 per cent drop in Japan. Intel plans to boost spending 33 per cent to $1.6bn.

The only dinosaur-like element of that is its sheer size.

Samuel Brittan

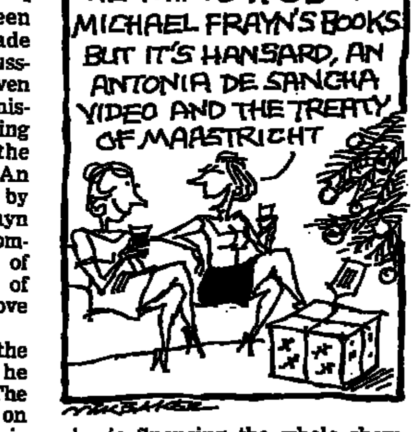
Secrets of the heart

Despite decades of brain-washing, I have never been able to persuade myself that discussing the advice given by officials to ministers is like revealing the secrets of the confessional. An usual light on the issue is shed by the humorous writer Michael Frayn who has, among his other accomplishments, intimate knowledge of Whitehall, including the lay-out of its buildings, corridors and, above all, skyline.

I have been reading three of the books he has written since he resumed novel writing in 1985. The first, The Trick of It (Penguin), is on a different topic – an academic critic who lures the subject of his life work, a female novelist "JL", to his rather shabby university to give a talk; the relationship ends (in every sense) in marriage. There are many delicious paradoxes. The critic has intimate knowledge of every word JL has written. JL, on the other hand, has never read a single bit of her companion's work, which he composes downstairs while she is writing upstairs.

The book which deals most directly with official secrecy is the latest, called Now You Know (Viking). Its central character, Terry, who runs an anti-secrecy campaign, is described on the dust-jacket as something of a wide boy. "OK, maybe he does come across as a headline-grabbing charlatan sometimes but he is a bit of a charmer all right – ask anyone." In a seedy office behind the Strand, Terry has accumulated quite a large staff with a telephonist, librarian, secretary and so on – all of whom respond to callers with the word "open" and who have as many secrets from each other as any group of establishment politicians and officials.

One secret, revealed at the end, is

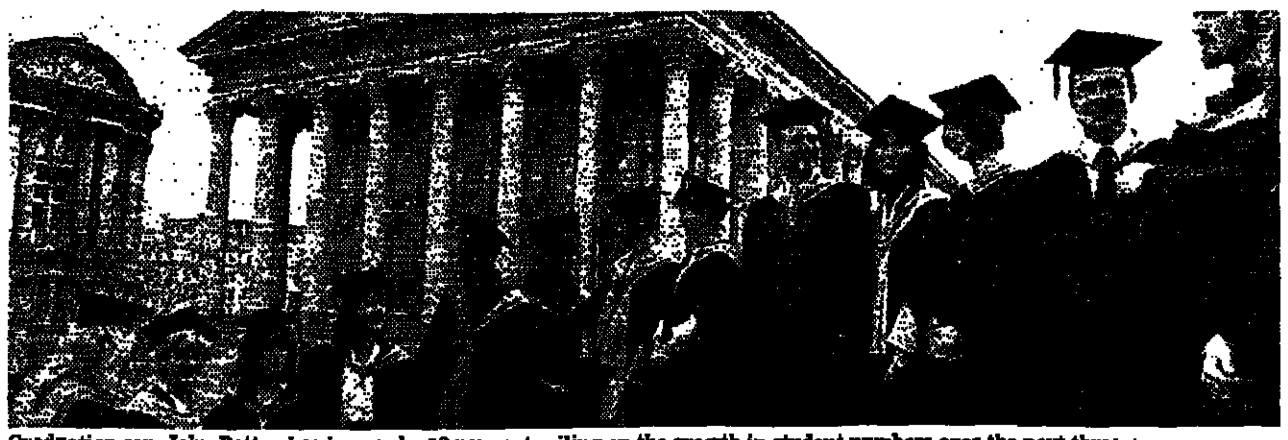


who is financing the whole show. Rather more intriguing is why a straight-laced Whitehall high flyer, Hillary Wood, who initially despises Terry and everything he stands for, leaves the Home Office to join his organisation. The obvious answer is that Terry may be her father but I'm not sure this is correct. There are moments of high farce, for instance when she takes part in a demonstration outside her old permanent secretary's house in Chorley Wood – now there's an idea. Despite all the high jinks at the expense of the anti-establishment, the reader cannot forget that there has been a cover-up over the death of a man in police custody, a cover-up supported by the sensible, educated Home Office types which many readers will know from their own acquaintances.

I suppose the moral is that we all carry an Official Secrets Act in our own heads. Frayn is, however, at his most successful in the second of the three novels, A Landing in the Sun (Penguin), which is the funniest yet also the most realistic and serious. A civil servant, Stephen Summerchild, is appointed secretary of a committee set up by Harold Wilson in 1974 to examine the quality of life. Its chairman is Dr Serafin, a female Oxford philosopher of Russian extraction. Wilson is preoccupied with the economic crisis of the time, and when Serafin tries to see him she bumps into the governor of the Bank of England on a more urgent visit. She decides to go ahead just with Summerchild, not bothering to appoint any more committee members (another good idea). At first, the meetings proceed like a tutorial designed to elucidate the concept of "quality of life" – for example, "you notice the central heating if it is turned off. You notice it if it is not there to be noticed," an analysis interrupted when Serafin has to get away to prepare her boy's dinner or some other domestic chore.

She gradually becomes less analytical and more Russian. She and Summerchild eventually establish a love-nest in their attic office, outside which there is a protected ledge useful for sun-bathing. The idyll comes to an end when the permanent secretary, on a goodwill tour, finds the office locked against him. Much more happens which the reader must explore for himself.

Before anyone dismisses Frayn's world as fanciful entertainment, I must mention my own experience at the Foreign Office a few days ago, where the uniformed guardian disclaimed all knowledge of a party to which I had been invited. While this was being sorted out, a senior flunkey announced he was going to Bosnia the next day – whether this was meant as a joke I do not know. But a departing mandarin off for his weekend in an open-necked shirt responded: "I hear the skiing in Bosnia is rather good at this time of year." Maybe if I had not been reading Frayn I would concentrated on the more highbrow conversation at the policy analysts' party. At the very least, his books are an antidote to end-year depression.



Graduation cap: John Patten has imposed a 13 per cent ceiling on the growth in student numbers over the next three years

Competing answers to university challenge

Means-testing to control the cost of further education may be an alternative to ceilings on enrolment growth, says Andrew Adonis

For students and universities, the party is over and the hangover about to begin.

After seven years of uninterrupted growth in student numbers, the government is applying the brakes. Courses for 16 to 19-year-olds are now top priority for extra education spending, with further education colleges due to pass from local government to Whitehall control in April.

To contain higher education spending, Mr John Patten, education secretary, looks set to announce cuts in fees paid by the government for university courses. He has also imposed a 13 per cent ceiling on the growth in student numbers over the next three years.

Polytechnics achieved an increase in enrolments of that size last year alone, and few believe the government will be able to constrain growth for long. The question is not whether higher education will expand further, but what form the expansion will take and how it will be funded.

The form of expansion is now settled. Polytechnics have been permitted to call themselves universities, but the bottom four-fifths of the new "university" sector will comprise teaching colleges in all but name. The Universities Funding Council's research assessment ratings, published last week, indicated that a majority of top-graded departments are in just 12 institutions. Research funding is to be concentrated on those, with teaching centred on the rest.

The question of funding is more problematic. A year or two from now, it will be one of the toughest education policy issues facing the politicians.

For a glimpse of the debate to come, a little noticed speech earlier this month by Mr Jeff Rooker, Labour's new higher education spokesman, is essential reading.

In an address to the Socialist Education Association, Mr Rooker raised the issue of means-testing the fees currently paid to universities by the government for all first-degree students, irrespective of parental income. He argued that it would be "totally unacceptable" for school leavers and mature students of entry standard to be denied the chance to continue their studies because of government-imposed ceilings on numbers. Then came the punch line: "Social equity demands that we look to all possible sources of revenue from those who can afford to pay ... The issue of a contribution from the wealthy [must] be considered."

For all politicians, Labour as much as Tory, the public spending implications of the explosion in numbers are beginning to sink in. The figures are stark. In the early 1960s, the UK had barely 100,000 full-time students in higher education. By 1987 the number was 549,000; now it is about 775,000. Vice-chancellors believe that Mr Patten's 13 per cent increase may be illusory, being largely absorbed as the current intake of students passes through the system.

Full-time student enrolments

England: first degree courses; polytechnics and universities

1982	325,000
1983	329,000
1984	330,000
1985	332,000
1986	339,000
1987	348,000
1988	363,000
1989	388,000
1990	428,000

Source: Department of Education

Given the numbers, the government's fees bill would have rocketed in any event. But it has been artificially increased by a decision in the late 1980s to shift higher education funding from grants paid to institutions to fees following students. The aim was to encourage institutions to take more students at marginal cost, and to create a market environment in which universities would sell themselves better. It succeeded beyond almost everyone's – particularly the government's – expectations. The cost was enormous. In 1979 the government's annual fees bill was £238.7m; by 1986 it had risen to £390.7m; last year it was £690m.

Since almost everyone – particularly the government – agrees that the bill cannot go on rising at that rate, there are only two options: capping student numbers or means-testing fees. (Universities could be more efficient, of course. But lecturer-to-student ratios are already at 1:20 or worse in many institutions.)

For the moment, Mr Patten is taking the first option and capping numbers. Labour is hovering at the entrance to the second.

Mr Rooker insists that his speech was no more than the design for a kite. But should the kite fly, the impact on the middle classes would be profound. Annual fees for undergraduate courses currently range from £1,855 to nearly £5,000, depending on the subject. Living costs come on top, allowances for which are being progressively shifted from grants to loans. The maintenance grant is fixed at a maximum of £2,265, but even that is means-tested. Withdrawal starts if combined parental income reaches a mere £13,630.

Fewer than a third of students now receive the full grant. If the regime for maintenance grants were extended to tuition fees, a typical university would become as expensive as Eton for students from better-off families.

Ironically, the means-testing option has impeccable Tory credentials. Sir Keith (now Lord) Joseph toyed with it when he was education secretary in the mid-1980s, but drew back amid protests from the Tory shires. As a next best, Mr Robert Jackson, higher education minister in the late 1980s, urged vice-chancellors to consider additional fees to be paid directly by students. They declined to do so, though many were attracted to the idea.

Mindful of the electoral consequences, the government finally gave up the quest last year. Its 1991 Higher Education White Paper stated: "Public funds will remain the main source of income for funding the projected expansion of student numbers."

It might seem odd, then, that Labour is picking up the means-testing baton. In fact, the Tories' decision to drop it gives them a golden opportunity. After its bloody nose at the last election, Labour's leadership is more concerned than ever at the tax implications of massive public spending commitments, and higher education is prominent among them.

Labour can also point to the rest of Europe and the US, where the charging of fees is standard practice. A Mori poll conducted earlier this year showed a majority of those with incomes over £15,000 a year were prepared to pay tuition fees, to the average tune of £1,000 a year.

Moreover, the Tories abandoned attempts to make students and their parents pay fees for the very reason that makes the idea potentially tolerable to Labour: it means taxing the Tories' natural constituency. Mr Rooker is impressed by a research paper published recently by the National Commission on Education, showing that in relative terms, over the past 20 years the proportions entering higher education from manual working class families has scarcely shifted by comparison with those from professional and managerial families.

"This is cold comfort for those who seek the 'classless society'", concluded the paper. Maybe. But it might enable Labour to turn the tables on a government reneging on commitments to open higher education to all able to make the grade.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Well served in Moscow

From Mr Mark I Wolk.

Sir, My wife and I were guests at the Aerostar Hotel in Moscow in March this year. We were most impressed with the facilities and services and found them to be a fine oasis from the rigours of very long and tiring days of fact-finding.

There were a few rough spots, but not nearly enough to warrant the most negative coverage you gave them in your article, "Tempo changes at heartbreak hotel" (December 7), which unfortunately would discourage others from availing themselves of this good and reasonably priced hotel in the troubled capital of Russia.

Mark I Wolk,
Mark I Wolk and Associates,
900 Century Building,
130 Seventh Street,
Pittsburgh Pa 15222-3461

Positive outcomes suggested by record of new Russian premier

From Mr Jonathan P Stern.

Sir, Your editorial of December 15 ("Departure of a reformer"), contains an important omission about the new Russian prime minister. As minister for the gas industry, Mr Chernomyrdin may be "associated with the failures of the last Soviet regime", but he was one of that regime's few industrial success stories. That is arguably why Mr Chernomyrdin has been singled out for this very difficult position.

It is somewhat unfair of Leyla Boulton ("New man at top sweeps into office with an old broom", December 15) to say that Mr Chernomyrdin has failed to turn around the fortunes of the oil industry since he was made deputy prime minister responsible for fuels and energy last April. Macro-economic and political confusion would have made this a difficult task for anybody in his position to achieve within one year.

You may be right that Mr. Chernomyrdin does not know "how to transform Russia into a working, let alone a successful, market economy", but then who does? The immediate issue is whether the new prime minister will set his face against market-oriented reforms or whether he will continue them at a slower pace.

Meanwhile we should be aware of two politically positive outcomes of his appointment. First, Russia has a prime minister who has a track record of some economic and political success (albeit within the framework of a centrally planned economy). Second, the new prime minister has a detailed knowledge of the oil and gas sectors, which are likely to be extremely important for both the domestic economy and for foreign trade. Indeed, these sectors could be the key to Russia's economic recovery.

A prime minister who could turn oil production (and exports) around and guarantee the continued flow of Russian gas to Europe would help boost western business confidence, even if he proves to be a less politically and intellectually attractive than Mr Yedor Gaidar, his predecessor.

Jonathan P Stern,
93 Erlanger Road,
London SE14

Drafting of multilateral trade organisation is unacceptable

From Myriam Vander Stichele and Michael Windfuhr.

Sir, You rightly draw attention to the problems arising from the creation of a new multilateral trade body – MTO – in the Uruguay Round ("US poses new Gatt quandary", December 15). An article of December 16 ("Round and round go the Uruguay trade reform negotiators") mentions in contradictory way the US worries about the status of the MTO and its rules, which should curtail US unilateral actions.

You do not mention, however, concerns recently expressed by more than 150 organisations from more than 30 developing and industrialised countries dealing not only with the environment but also with development.

They fear that the MTO, which would be outside the United Nations system, and would collaborate with the International Monetary Fund and the World Bank, would further concentrate international economic decision making in the economically powerful industrialised countries. Developing countries and their populations would be excluded.

The MTO would be the forum for future negotiations with no equitable decision-making process. It would be an end to any attempt to create an international trade organisation which takes a more integrated approach to trade policy and rules. An MTO as currently drafted is unacceptable.

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Michael Windfuhr,
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Holding companies likely to be penalised by VAT ruling

From Mr Richard Watson.

Sir, Your readers are already aware of the new value added tax burdens on large companies which will begin on January 1. They will also know that monthly payments of VAT for large companies began in October. I wonder, however, if they have yet realised that every holding company is due to be further penalised from March 1. Customs and Excise has achieved this hat trick by taking a European Court of Justice ruling on a Dutch holding company (Polysar Investments Netherlands BV) and developing the thinking to justify an approach it last tried in 1987.

Polysar was a Dutch intermediate holding company, of a type often used, quite legitimately, in direct tax planning. The Court held that the basic activities of such a holding company did not constitute an economic activity and, therefore, it was not entitled to a refund of VAT on costs.

Customs has ended this doctrine to all holding companies and has ruled that, from March 1, VAT on costs incurred by holding companies on basic activities, such as acquiring subsidiaries and mounting or defending takeover bids, will cease to be deductible.

By applying this judgment to British holding companies of a quite different type, Customs seems to be extending the Court's judgment far beyond its limits.

For example, the Court commented that its ruling would have been different had Polysar been involved in *managing* its subsidiaries. This could be taken to imply that input tax recovery on Polysar's basic functions *would* have been allowed under these circumstances.

Above all, however, the differences between the activities of a Dutch investment holding company and a typical UK holding company are so great that the judgment cannot simply be transferred intact.

VAT is a tax on consumption – not a tax on business costs. By taking this action, Customs is placing a new and very real burden on business at a time when so many other burdens are being introduced.

To add insult to injury, the change was announced by press notice and apparently requires no change in the law.

Price Waterhouse will continue to add its weight to the representations against this charge. This is a further unnecessary setback to UK business recovery and yet another example of an increasingly alarming trend to legislate by press release.

Richard Watson,
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20 St Thomas Street,
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OBSERVER

Return of the Lynch mob

■ Remember Gerry Tsai? In his hey-day as a go-go stock picker for Fidelity, America's biggest mutual fund manager, Tsai's reputation was just as big as that of Peter Lynch, the legendary Fidelity fund manager who has just announced a comeback.

But whereas Tsai went on to the real business world, running American Can and its successor Primerica, Lynch is sticking to what he knows best. Less than three years after he gave up, Lynch is returning to his old firm on a part-time basis.

Lynch's recall is bound to raise eyebrows on Wall Street. Since he quit managing Fidelity's $21bn flagship Magellan fund, it has failed to match the spectacular performance it recorded during his 13-year stewardship. The job of running the biggest US mutual fund has already burnt out one of Lynch's successors. Has Lynch been recalled to keep an eye on Magellan and prevent its small investors from deserting?

Not so, says Fidelity, which insists that Lynch is not returning to active stock-picking. He has been acting as a "mentor and educator" at Fidelity on an informal basis for some time and now will get paid for "Peter Lynching the next generation of Fidelity fund managers," says Fidelity rather inelegantly.

Slowing down

■ John Ashcroft, former Guardian young businessman of the year and ex-boss of the over-acquisitive Coloroll which collapsed in 1990, is again trying to grow a business at breakneck speed.

Rapid growth imposes its own strains: some suppliers to the new venture, an outdoor clothing company, appropriately called Survival Aids, have been grumbling about being kept waiting for their money. Ashcroft bought the company in early 1991, installed himself as managing director, and planned to double or treble the company's annual turnover – then £4.5m – within five years.

It sounds like Survival Aids' expansion has been going according to plan. Since Ashcroft arrived its retail branch network – it also has a sizeable mail order trade – has grown from three shops, plus a kiosk at Aldershot, to 14 stores spread from Glasgow to Bristol. It has opened three new shops this autumn alone.

Ebullient as ever, Ashcroft says that his business is "going pretty well really". He declines to talk publicly about the mutterings of discontent from some suppliers. But he indicated that Survival Aids is now entering a period of consolidation. "We'll catch up with ourselves now, in the next 12 months", he promises.

Showdown

■ Now for the showdown on last Monday's quiz about gunfighters of the old American West. The questions, and answers, were:

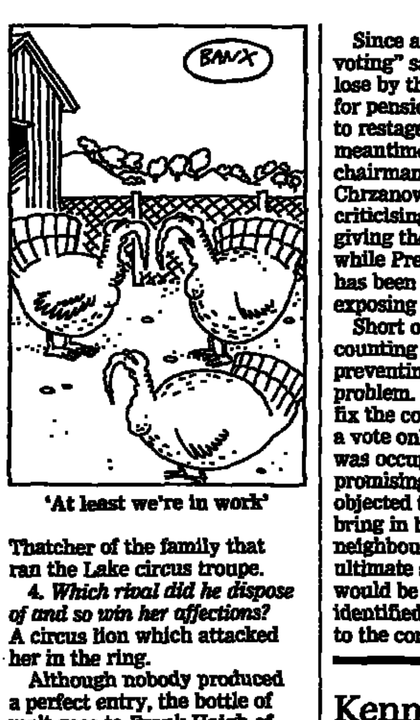
1. *Name the Magnificent Seven.* Chris (played by Yul Brynner), Vin (Steve McQueen), O'Reilly (Charles Bronson), Lee (Robert Vaughn), Britt (James Coburn), Harry Luck (Brad Dexter) and Chico (Horst Buchholz).

2. *Which western gunfighter became sports editor of the New York Morning Telegraph?* Bat Masterson.

3. *Which was married to Mrs Thatcher?* Wild Bill Hickok. She was Mrs Agnes Lake Thatcher of the family that ran the Lake circus troupe.

4. *Which rival did he dispose of and so win her affections?* A circus lion which attacked her in the ring.

Although nobody produced a perfect entry, the bottle of malt goes to Frank Haigh of Ottawa who came nearest. Besides getting the first three right, he answered the fourth with: "Ruffians at her circus".



'At least we're in work'

Polish vote trick

■ If Poland's parliamentarians start smuggling bricks into their sessions, it won't necessarily be to throw them at opponents. The reason will more probably be a mini-scandal aroused when national television showed deputies voting for absent neighbours in a critical budget-debate.

It was apparently far from the first such occurrence. Bored members find it easy to slip away. All they need do is leave their voting card with a more diligent colleague, who sticks it into the slot in the absentee's seat at the right moment, and presses the appropriate button.

Since a spate of "two-handed voting" saw the government lose by three on its proposals for pensions cuts, it has sought to restage the vote. In the meantime, parliament's chairman, Wieslaw Chrzanowski, has been criticising the TV cameras for giving the wrong impression, while President Lech Walesa has been praising them for exposing what was afoot.

Short of going back to counting each vote manually, preventing the practice is a problem. One proposal – to fix the computer to register a vote only if the relevant seat was occupied – seemed promising until someone objected that deputies could bring in bricks to weigh down neighbours' seats. The ultimate solution, perhaps, would be voting buttons that identified and responded solely to the correct fingerprints.

Kennel talk

■ This Christmas why not splurge $3,800 on the dog that has everything and buy Rover its very own copy of "The European market for pet food and pet care products".

The good news in the Frost and Sullivan report is that pets should get more to eat – the market is set to grow from $10.5bn to $11.6bn by 1996. The bad news is that the number of doggies is forecast to decline. That's not what they want to hear at the kennels. Perhaps it would be better to save this type of negative talk till after Christmas.

Assumptions

■ What are the four ways by which an economist can lose his reputation?

Gambling is the quickest, women the most pleasurable, and drink the slowest. But forecasting is the surest.

FINANCIAL TIMES
Monday December 21 1992

Russia's new prime minister agrees to carry on with economic reforms

Yeltsin wins cabinet compromise

By Leyla Boulton in Moscow

RUSSIAN President Boris Yeltsin yesterday reached a deal with Mr Viktor Chernomyrdin, the new prime minister, on the make-up of the cabinet, agreeing that the basic current team would be preserved.

"The government of the Russian Federation maintains loyalty to the idea of transition to market economy and intends to continue the reform course," Mr Vyacheslav Kostikov, the president's spokesman, told Itar-Tass news agency.

Mr Yeltsin cut short his official visit to China this weekend to mount efforts at home to retain the core of his economic reform team.

The president flew to Moscow on Saturday, saying "the master has to return home to restore order" because of attempts to scatter the reform team assembled by Mr Yegor Gaidar. Mr Gaidar, the architect of Russia's market reforms, was last week dropped as prime minister by Mr Yeltsin following concerted pressure from conservative deputies in parliament.

Meanwhile, Mr Chernomyrdin has toned down earlier attacks on Mr Gaidar's policies. Mr Chernomyrdin, who earlier had announced he wanted "a market not a bazaar," said at the weekend that he simply wanted reforms to be effective and was ready to "correct" his view.

Mr Chernomyrdin further qualified his commitment to reform when he said to Tass before his Sunday meeting with Mr Yeltsin: "The market alone is not a panacea. Many countries have been living for a long time under market conditions but have not resolved all their social problems."

The were, however, signs last night that Mr Yeltsin may yet face an uphill task to ensure that the reform team can work with Mr Chernomyrdin.

On the one hand, some of Mr Gaidar's closest colleagues, like Mr Anatoly Chubais, the privatisation minister, and Mr Andrei Nechaye, the economics minister, having theatened to resign if Mr Gaidar went, now say they will stay on if reform continues.

Others say they want clarification of Mr Chernomyrdin's plans.

The consensus among Mr Gaidar's colleagues is that, while Mr Chernomyrdin is a competent manager, he knows nothing about macroeconomics and he could steer the country into hyperinflation.

One cabinet change which could help boost credibility of reforms could be the appointment of an energetic finance minister to keep a grip on credit and monetary policy.

It is understood that Mr Boris Fyodorov, Russia's executive director at the World Bank, who resigned two years ago as the country's finance minister, was in Moscow at the weekend to explore job possibilities.

Radical democrats, meanwhile, expressed alarm at the appointment of Mr Yuri Skokov, the conservative secretary of the shadowy Security Council, as overlord of Russia's external relations.

Advisers under threat, Page 3

Milosevic seeks to hold on to power in elections in rump Yugoslavia

Ruling Socialists accused of foul play

By Laura Silber in Belgrade

MILLIONS of people in the rump Yugoslavia yesterday voted in presidential and parliamentary elections, overshadowed by charges of foul play and media manipulation by Serbia's ruling Socialists.

Serbian president Slobodan Milosevic, who is widely held responsible for the war in neighbouring Bosnia, was fending off a challenge in his re-election effort from Mr Milan Panic, the Yugoslav prime minister, who has campaigned on pledges of peace.

Presidential candidate Milan Panic arrives to vote at a Belgrade polling station yesterday

Mr Panic, who was born in Belgrade but became a pharmaceuticals magnate in California, said yesterday: "This is the beginning of democracy in Yugoslavia. People want changes and I will bring them."

But complaints of election fraud flooded hotlines set up by opposition parties in Belgrade just after the polls opened at 7am.

"There have been a large number of reports of irregularities. A big percentage of people say they are not listed in the voter registry," said Mr Jack Zetkulic, head of the observer mission of the Conference on Security and Co-operation in Europe.

Depos, the main opposition coalition, and the Democratic party, another opposition group, said that hundreds of people had complained they were not allowed to vote.

Mrs Snezana Petrovic, a librarian, protested yesterday: "I was struck off the list because I was noisy and made complaints. My husband is quiet so he's on the list." She blamed Mr Milosevic for Serbia's economic decline and isolation.

Mr Milosevic's campaign, marked by its xenophobia and defiant tone, has its strongest support in working-class and rural areas of Serbia. In the industrial suburb of Kaludjerica, Mr Dragan Misovic, a student, said: "The workers will vote because they get paid for doing nothing. The factories are all closed but they [the workers] draw salaries."

Most voters were hostile, refusing to speak to reporters. "The west should not give us orders. Mind your own business," said one man who voted for Mr Milosevic.

The turnout in Belgrade was high despite freezing temperatures and dense fog.

Foreign observers were highly critical of the campaign. "It was an unfair campaign. The media propaganda has been shameless, probably the worst we've ever seen in the region," said Mr Zetkulic. About 90 foreign observers monitored local, republican and federal races in Serbia and Montenegro, the sole members of the reconstituted but unrecognised Yugoslav federation, he said.

Western diplomats said that even if he was defeated in the poll, Mr Milosevic could refuse to cede power. They feared that the Serbian leader could provoke ethnic violence in the mostly Albanian province of Kosovo, southern Serbia. Albanians and many Moslems boycotted yesterday's poll.

Early results were expected today. Despite a hostile campaign against him on state television, the ebullient Mr Panic had a slight edge in the latest opinion polls. But if neither candidate gains more than 50 per cent of the total vote a run-off has been set provisionally for January 3.

Waigel says rate cuts would be effective

By Quentin Peel in Bonn

CUTS IN German interest rates would be the most effective single measure to revive the flagging German economy, Mr Theo Waigel, finance minister, said in an interview published yesterday.

At the same time he said there must be "no taboo" in considering cuts in public sector spending in any area, including social spending, in a package of measures to be completed in January. The package is supposed to be part of a "solidarity pact" between the central government, opposition, trade unions, employers and local government.

While he ruled out any increase in taxation before 1995 as "totally wrong" in the present economic situation, Mr Waigel said the abolition of some allowances was under consideration.

The government is considering three lists of savings measures to reduce the public sector deficit and enable more cash to be found to help revive the collapsed economy in east Germany, according to weekend reports.

They include central government cuts, state government cuts and the tax allowance cuts.

In an interview with Welt am Sonntag, Mr Waigel admitted there might be zero growth in the German economy for 1993, although he was confident there would be a recovery in the second half, thanks largely to a recovery in the US and other German export markets.

He stopped short, however, of calling on the German Bundesbank directly to cut its interest rates to stimulate the economy.

He merely repeated that rigorous public sector spending control and wage restraint in the current round of pay negotiations were essential to give the central bank "room for manoeuvre" to cut its rates in the new year.

The finance minister promised to have his package of savings measures, involving the 16 federal Länder and local authorities, as well as the central government, ready for publication in January at the latest.

Selective leaks of measures in the savings lists have caused a storm of political criticism over the weekend, with the opposition Social Democrats charging the government with seeking to finance unification at the expense of the poor.

Cuts cited include a reduction in unemployment benefit, child allowances and maternity benefits, and a freeze on student grants, right down to details such as a cut in the temperature of municipal swimming pools, or an increase in entry prices for museums and art galleries.

Japanese growth estimate

Continued from Page 1

non-inflationary growth path centred on domestic demand," the EPA said in its annual report to the cabinet, reflecting the government's concern about the expansion of the trade surplus.

Most of the agency's estimates for the current year were wide of the mark. It had forecast a 3.7 per cent increase in private consumption, but that was cut to 1.5 per cent.

Corporate fixed investment had been forecast to rise 4.5 per cent, but this is now expected to decline by 3.8 per cent.

In defending the forecasts for next year, the agency admits that private consumption and business fixed investment, which account for about 80 per cent of domestic demand, will be relatively sluggish. It is certain only about strong growth in public spending, which comprises about 7 per cent of the total.

Government ministers approved the EPA's forecasts, but hinted that the figures appeared to be over-optimistic. Mr Hiroshi Mitsuzuka, head of a powerful faction in the ruling Liberal Democratic party was sceptical: "It sounds like you are talking about another country, not our own."

Most private estimates for GNP growth next year range between 2.3 per cent and 2.5 per cent. Yasuda Trust and Banking forecast 2.3 per cent growth for the 1993 fiscal year and 1.5 per cent for the current year.

Independent French bank

Continued from Page 1

the current situation, the best political and technical signal of our will to have from now on a firm monetary policy."

He was convinced from a recent "long meeting" with Mr Helmut Kohl, the German chancellor, of "the absolute determination of our partners" to support French efforts to maintain the franc's place in the European Monetary System.

The UDF supported the government's firm franc policy and would stick to this once in office, said Mr Giscard d'Estaing.

He gave few details of the degree of independence envisaged for the central bank, but said that its administrative board would include directors from French regions, on German lines. "This would show that monetary policy does not only take into account Parisian aspects and market elements, but also . . . the overall situation of the economy and its regional components," he said.

Leadership of the RPR, the larger opposition party, is also wedded to defending the franc's parity in the EMS, a policy defended by Mr Edouard Balladur, finance minister in the 1986-1988 Gaullist government, who is tipped as a possible prime minister in the coming administration.

Dissenting voices do exist in the party's populist wing, but so far they are a small minority.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	R	[illegible]	[illegible]	[illegible]	[illegible]	4	39	Majorca	F	18	64	Oporto	S	14	57	Tenerife	S	18	64
				Brussels	R	[illegible]	[illegible]	[illegible]	[illegible]	1	34	Malaga	S	17	63	Oslo	S	-1	30	Tokyo	F	11	52
				Budapest	C	[illegible]	[illegible]	[illegible]	[illegible]	16	61	Malta	F	16	64	Paris	F	11	52	Toronto †	S	1	34
Ajaccio	S	16	61	Buenos Aires	F	[illegible]	[illegible]	[illegible]	[illegible]	-1	27	Manila	F	31	88	Prague	C	1	34	Tunis	F	-17	63
Algiers	F	19	66	Cairo	F	[illegible]	[illegible]	[illegible]	[illegible]	2	36	Melbourne	F	23	73	Reykjavik	C	5	41	Valencia	S	17	63
Amsterdam	R	4	39	Cape Town	S	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	75	Mexico City	F	25	77	Rhodes	S	14	57	Venice	Fg	3	37
Athens	S	11	52	Caracas	F	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Miami †	C	23	73	Rio d'Janeiro	F	35	95	Vienna	C	0	32
Bahrain	R	17	63	Casablanca †	S	[illegible]	[illegible]	[illegible]	[illegible]	2	[illegible]	Milan	C	2	36	Rome	S	12	54	Warsaw	Sn	0	32
Bangkok	F	32	90	Chicago †	S	[illegible]	[illegible]	[illegible]	F	19	66	Montreal †	R	3	37	Salzburg	F	5	41	Washington †	R	7	45
Barcelona	F	15	59	Cologne	R	[illegible]	[illegible]	[illegible]	[illegible]	5	41	Moscow	S	-5	23	S'Francisco †	C	7	45	Zurich	S	2	36
Beijing	C	2	36	Copenhagen	S	[illegible]	[illegible]	[illegible]	R	31	88	Munich	F	5	41	Seoul	S	13	55				
Beirut	F	15	59	Corfu	S	[illegible]	[illegible]	[illegible]	F	[illegible]	81	Nairobi		-	-	Singapore	R	23	73				
Belfast	Fg	-3	27	Dallas †	C	[illegible]	[illegible]	[illegible]	R	[illegible]	50	Naples	S	12	54	Stockholm	S	-1	30				
Belgrade	Dr	-1	30	Dublin	S	[illegible]	[illegible]	[illegible]	[illegible]	5	41	Nassau	C	25	77	Strasbourg	F	7	45				
Berlin	R	3	37	Dubrovnik		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	45	New Delhi	S	21	70	Sydney	S	25	77				
Biarritz	S	18	64	Edinburgh	S	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	43	New York †	F	8	46	Taipei	F	27	81				
Bombay	S	30	86	Faro	R	[illegible]	[illegible]	[illegible]	R	16	61	Nice	S	14	57	Tangier	S	17	63				
Bordeaux	S	14	57	Florence	F	[illegible]	[illegible]	[illegible]	F	10	50	Nicosia	C	14	57	Tel Aviv	S	16	61				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

THE LEX COLUMN

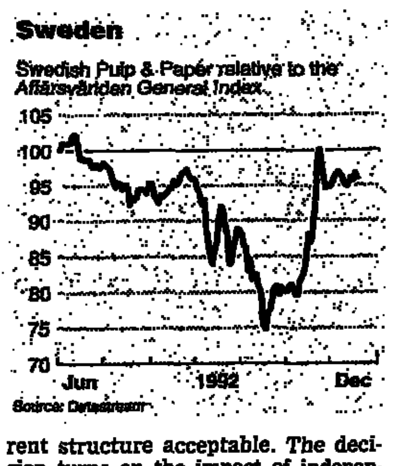
Paper thin profits

The devaluation domino that has swept across the Nordic region has had at least one strikingly beneficial effect: it has eased the pressures on the forestry industry, which constitutes much of its manufacturing base.

Shares of leading Swedish pulp and paper companies in particular have bounced strongly since the krona's devaluation. Profits prospects have improved markedly as relative costs have shrunk. Last week, the SCA group cited the benign effect of devaluation in lifting its annual profits forecast from break-even to SKr300m-Skr400m. MoDo, too, should benefit from having many of its manufacturing plants in weak currency countries. But Europe's biggest paper group, Stora, may do less well: its exposure to Germany will muffle any uplift.

Having bid the shares up so quickly, the market is now scratching its head about the longer term prospects. Investors are still keen to move into capital intensive sectors which have historically been at recovery's leading edge. But the cyclical scenario may not be as simple as it seems. Severe overcapacity in most paper grades continues to plague the industry. Ironically, devaluation may have delayed rationalisation by baling out the weakest players. The glut of recycled pulp in Europe will also undermine price rises. But the biggest worry remains the deteriorating German market, which accounts for about a quarter of European paper consumption. The industry is not yet out of the woods.

Sweden



UK Electricity

National Power and PowerGen may view last week's report from the regulator on electricity pool prices as something of a victory. But after a torrid few weeks at the hands of both the regulator and the market, they have reason to be grateful for small mercies. That Professor Littlechild stopped short of suggesting collusion to achieve higher prices is a relief. The conclusion that pool prices are still below the level required to cover the generators' costs should equally take the wind out of complaints from big energy users.

Yet the generators can hardly welcome the regulator's pointed reminder that they have too much market power. Although National Power and PowerGen have been cleared of actual misdemeanour, the jury is still out on the wider issue of whether enough competition can be introduced into the generation market to make the current structure acceptable. The decision turns on the impact of independent power producers in limiting the power of the duopoly.

That extends beyond the electricity pool. The terms of five-year contracts offered to the regional electricity companies and backed by deals with British Coal are already under Professor Littlechild's microscope. Given the public and political interest, one can hardly believe National Power and PowerGen will allow themselves to be found guilty of abusing market power in this area either. But with the Professor talking of imposing regulation on the generators as an alternative to a Monopolies and Mergers Commission reference, the scope for interference has barely diminished.

UK Accounting

For all its success this year, the UK Accounting Standards Board has avoided tackling the vexed topics of goodwill and intangible assets. Since the old Accounting Standards Committee's failure to carry the day on amortising goodwill was the final nail in its coffin, Professor Tweedie might be forgiven for biding his time. The challenge is to find a treatment which satisfies the demands of business without leaving UK accounts out of step with international practice.

Professor Tweedie has made no secret of his desire to move towards a system which values assets on a more consistent basis. That implies tougher rules on when and how physical assets are revalued. This might also help square the circle on goodwill. If all assets which can be reasonably valued are held at current cost on the balance sheet, sceptics may find it easier to swallow a similar treatment for acquired goodwill. Assuming, of course, that a convincing method of valuing goodwill can be found.

The ASB is doubtless hoping that whatever compromise it suggests on acquired goodwill will head off demands from areas of business that internally generated intangible assets, such as brands, should have a place on the balance sheet. Even so, the ASB would risk taking UK accounting standards into an area beyond the international pale. In an era of cross-border investment, international comparability of accounts has a value of its own. The sight of Phillips – a pioneer of current cost accounting – abandoning the system last week in favour of more internationally accepted practice gives cause for thought.

Japan

Kleinwort Benson's poll of institutions attending its investment seminar last week revealed a curious optimism about the prospects for Japanese equities next year. The average expectation was that the Nikkei would rise to nearly 19,400 for a return of some 12 per cent, well above the poll's anticipated result for the FT-SE, Dow or the German DAX. That seems inconsistent with the bleak economic outlook. The Economic Planning Agency last week reduced its growth forecast for the current fiscal year to 1.6 per cent from 3.5. It anticipates growth of 3.3 per cent in fiscal 1993-94, but admits this is more of a target than a forecast. The OECD expects 2.3 per cent for calendar 1993, but says informally that even this figure may be too high.

As Kleinwort itself points out, asset deflation will continue to restrain growth for some time, while the corporate sector still has to come to terms with the excesses of the 1980s. Since redundancies are hard to impose, Companies will have to engage in savage cost reduction. Weak private consumption may then compound Japan's economic problems.

One palliative would be aggressive cuts in interest rates. Foreigners have a poor record at calling the Nikkei, but that prospect might justify the survey's optimism. Indeed, a similar argument could apply to some continental European markets. The US last year and the UK this year both provide examples of markets which have risen primarily on the back of interest cuts. The more difficult question comes later when the cuts have been absorbed. Then further advance depends on earnings growth in a weak recovery.

FINANCIAL TIMES
COMPANIES & MARKETS

Monday December 21 1992

Nedlloyd board calls for Hagen to quit

By Ron van de Krol in Amsterdam

NEDLLOYD, the Netherlands' largest transport group, and its dissident shareholder Mr Thorsten Hagen, appear poised for another protracted battle.

The company's supervisory board has called for Mr Hagen to vacate his seat on it immediately.

The highly unusual demand was a direct and swift response to the Norwegian investor's public request last week for an extraordinary shareholder meeting to consider radical changes in the way the supervisory board is elected. Mr Hagen was reluctantly admitted to the supervisory board earlier this year after a long and celebrated dispute.

Nedlloyd said Mr Hagen's call for the extraordinary shareholder meeting violated promises he made to support the board and to uphold its strategy for turning around the loss-making company.

Mr Hagen, who controls 25 per cent of Nedlloyd through shares and options, was unavailable for comment on his next move.

Under Dutch law, his fellow board members can suspend him from his duties, but any dismissal will have to be sought through the courts, a procedure that would take months and would help to fan the animosity between the two sides.

Ironically, the supervisory board had been forced to go to court earlier this year to get Mr Hagen admitted to the board in the first place after the company's works council tried to block his appointment.

Nedlloyd and Mr Hagen have clashed repeatedly over his arguments that the company should pursue a policy of rapid and heavy divestments.

The latest dispute between Nedlloyd and Mr Hagen was sparked by the Norwegian investor's surprise call last week for an extraordinary shareholder meeting to discuss far-reaching changes in the company's articles of association and the dismantling of various anti-takeover defences.

His main target was the supervisory board itself, which he describes as an entrenched body and which he argues should be elected by shareholders.

The board said it will respond to Mr Hagen's request for an extraordinary shareholders meeting in the first half of January.

Andrew Bolger on how the group has allowed itself to become a takeover prospect

Lucas engineers defence against short-term views

LUCAS, one of the UK's biggest and most technologically-successful engineering companies, is on full bid alert.

The Midlands-based group is the City's favourite candidate for takeover, now recession has slashed its profits and a long-planned succession of senior management has collapsed.

Lucas shares touched a five-year low of 78p in September, valuing the group at a mere £550m – less than half its pre-recession peak in 1989.

They have since recovered to 132p, fuelled mainly by speculation that the group is vulnerable to predators such as BTR, the acquisitive industrial conglomerate which last year snapped up the recession-struck Hawker Siddeley, another famous name in British engineering.

Sir Anthony Gill, Lucas's 62-year-old chairman and chief executive, is philosophical about the prospect of a bid, but unapologetic about the group's record: "People who own us have that decision to make, if it is presented to them.

"I hope that they will decide to keep us independent."

To retain that independence, Lucas, already advised by Schroders, recently added the US investment bank Goldman Sachs to its team.

The core of its strategy will be a defence of the group's long-term record of investment, which it says has put it in the world's top three suppliers for its chosen sectors of automotive and aerospace components, such as braking and diesel fuel injection systems.

Sir Anthony says: "There isn't another company quite like us in the UK – our competitors are in Japan and Germany. Getting the long-term things right makes the difference between whether the company does well or not. We do have the problem – which I'm not trying to whinge about – that we are judged by short-term standards.

"One year's pre-tax profits figure – that's at the margin of what we are doing."

The chairman points to Lucas's consistent record of growth in profits, earnings, and dividends until the present recession started: "There's no reason why we can't get back to the sort of margins we were making then."

He adds: "In the first and second years of the recession our sales went up, when other people's went down, and our profits were lower than other people's.

"The main reason was that we went on with engineering expenditure to take market share and win new contracts, some of which we haven't got income from yet. We could easily have battened down the hatches, not gone for new business, sacked our engineers – we didn't do that.

"We don't regret not doing that."

Sir Anthony was determined not to repeat the mistake which Lucas made during the last recession at the beginning of the 1980s, when it cut research and development spending – and lost market share to Bosch in two crucial product areas, anti-lock braking systems and petrol fuel injection systems, in which the German group is now world leader.

He says: "Although we are now at least the equal to Bosch in technology, we have a smaller market share. We see the present recession within that context: it is a challenge to continue to manage our resources of people and cash for the future, but resist cutting back where that would mortgage our future."

Lucas has been reducing costs. In October the group said it had started a three-year restructuring programme to shed 4,000 jobs, half of them in the UK, to bring the workforce below 50,000, compared with more than 57,000 two years ago.

Although Sir Anthony says this is strategic reshaping, analysts disagree, and accuse him of being slower to respond to the downturn than rivals such as GKN, BBA and T&N.

In curious contrast to Sir Anthony's emphasis on the company's investment record, Lucas also says recent high levels of R&D – about £100m annually over the last three years – and capital spending at twice the rate of depreciation, are both set to fall, as programmes are completed.

The group's main area of vulnerability, though, is its failure to manage the succession to Sir Anthony.

He had been due to retire this year, but has now agreed to remain as chief executive for another year and as chairman until 1994.

In February, Mr Tony Edwards, head of the aerospace division, was made chief executive designate.

In March Mr David Hankinson, then finance director who had been considered for the top job, left with compensation of £352,000 to give Mr Edwards a clear run in his new role.

In August Mr Edwards was told the board did not consider him to be suitable for the top post as chairman. In October he moved to rival TI Group.

Lucas last month appointed Mr Frank Turner, from Rolls-Royce, to head its aerospace group – but it has gone back to the drawing board in the search for both chief executive and chairman.

Sir Anthony denies any reluctance to hand over the reins of the group he has dominated for years.

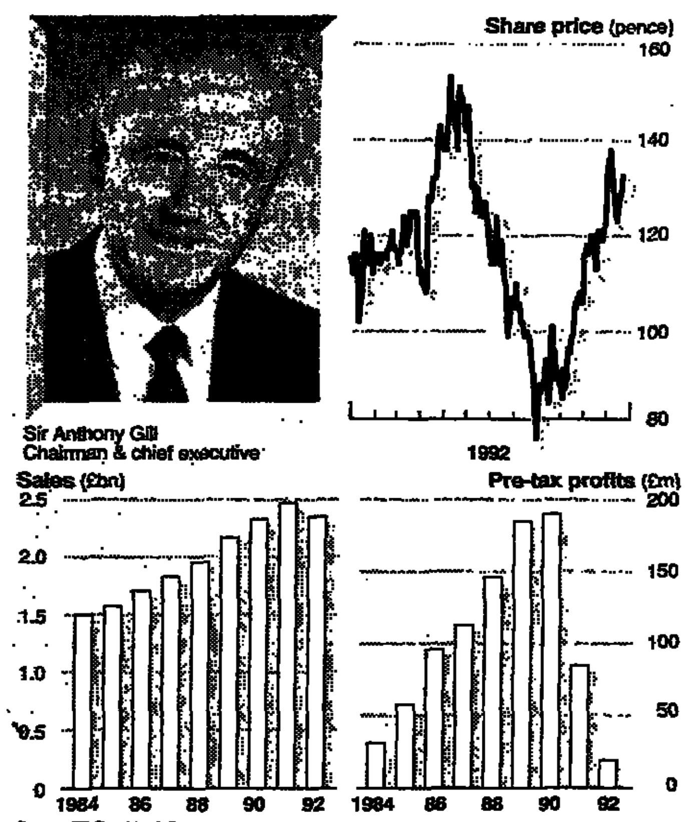
"Just ask my wife about that," he says grimly, explaining that he had promised her he would retire this year.

While he remains in his job, he is haunted by the example of Hawker Siddeley, which last autumn depressed the market with a gloomy trading statement. The next day BTR pounced.

With that example in mind, Lucas was careful to accentuate the positive when announcing its annual results in October. It dipped into reserves to keep a 7p total dividend, and expects to generate enough profits in the year to July 31 to cover a maintained pay-out of £50m. Analysts are sceptical, given that the group has said the first half is likely to be flat. However, the group is confident that it will achieve its target of £100m from disposals in the current year.

Sir Anthony had a personal interest in the fate of Hawker, in the shape of Mr Alan Watkins, who joined it as chief executive from Lucas two years before BTR's bid. He said: "Poor Alan Watkins took a bit of the Lucas culture with him. The market is very, very impatient and when they did not see enough happening, they persecuted him and did not give him the benefit of the doubt. I hope they would give us the benefit of the doubt, because what we are doing is consistent with what we said we would do."

Lucas Industries at bay



Sir Anthony Gill
Chairman & chief executive

Source: FT Graphite & Company report

Isosceles recruits Storehouse director

By Maggie Urry in London

ISOSCELES, the heavily-indebted parent of the Gateway food retail chain, will announce the appointment of Mr David Simons, finance director of Storehouse, as group chief executive this week.

The news should coincide with a standstill agreement with its 38 banks, expected on Tuesday. The standstill will defer interest payments running at £9m ($13m) a month, and principal repayments due in the spring. The group has loans of £1bn from banks and £375m from mezzanine lenders.

Isosceles owns the Herman's chain of sporting goods shops in the US, which has been up for sale since the £2.1bn buy-out of Gateway in 1989.

Unusually under the standstill banks will give up their "on demand" rights, which should reassure Gateway's suppliers to continue extending trade credit. At any time Gateway can have more than £300m of stock on credit. Without the standstill Gateway could go into receivership, risking 40,000 jobs.

If agreed, the standstill would give Isosceles, its banks and shareholders six months to arrange a financial restructuring tied to a strategy for the group, which is being advised by Coopers & Lybrand, the management consultants.

A business plan should be finalised by the end of January. The banks have been persuaded that Gateway's performance can be improved through relatively low-cost actions such as tightening control of stock, shrinkage and wages. Despite its problems, Gateway's operating profits are running at more than £100m a year.

Mr Simons, who is 45, is likely to receive a contract with a substantial success-related element, perhaps tied to any exit given to banks and shareholders such as an eventual flotation.

Storehouse, the retail group where Mr Simons has been finance director since May last year, will release him from a commitment to stay until March. He will join Isosceles, with effect from January 1, replacing Mr Alistair Mitchell-Innes, who may stay on the board until March, having already announced his intention to leave.

Mr Simons is expected to spend most time at Gateway's Bristol headquarters, and to move the Isosceles head office to Bristol.

Exchanges spurn much-vaunted Maastricht rules

Economics Notebook

By Peter Norman

NINE days ago in Edinburgh, European Community leaders reaffirmed their commitment to the Maastricht economic convergence criteria as part of the EC's drive towards economic and monetary union.

The intervening days have shown just how irrelevant these criteria are to the foreign exchange markets which act as the judges of one nation's economic standing against another.

For if the Maastricht criteria, with their insistence on low inflation and sound budgetary policies were any guide, the D-Mark would have been under pressure to devalue in the European exchange rate mechanism last week and not the French franc.

Developments in the ERM since September have gone a long way to justify the criticism of Sir Alan Walters, Mrs Thatcher's economic adviser when she was prime minister, that the European Monetary System is "half baked" and doomed to instability.

The system has certainly been inhospitable to France, which fulfils the Maastricht criteria more fully than any other big EC nation.

France has pushed its annual inflation rate a good percentage point below that of Germany to well below 3 per cent.

It meets the Maastricht requirement of having a budget deficit of less than 3 per cent of gross domestic product.

It has been categorised by the Organisation for Economic Co-operation and Development as a "low debt country".

France's reward has been to suffer repeated speculative selling of the franc over the past three months that has forced it to have higher short- and long-term interest rates than Germany.

It might be argued that this is not the fault of the ERM, but of financial markets.

The markets see, rightly, that France may be heading into a period of political uncertainty ahead of the March national assembly elections.

They believe, probably wrongly, that the D-Mark is a more credible currency than the franc because it has never devalued.

But the French franc's problems should also be telling the EC's policy makers that the Maastricht convergence criteria are too crude a yardstick if the ERM is to continue to act as a glide path to Emu.

Because of events since September, some EC monetary experts believe convergence should be considered over a far wider spectrum of economic activity than laid down in the Maastricht Treaty.

Largely ignored so far, is the very wide gulf that exists between economic interests and aspirations of the low-inflation countries grouped around Germany and the EC's poorer peripheral nations such as Spain, Portugal, Greece, Ireland and, it must be said, Britain.

The former group increasingly are "rentier" societies with financial assets spread widely through the population and an interest in preserving the value of those assets through price stability. For the other group, a main attraction of EC membership should be the opportunity of faster growth: an opportunity that has been frustrated by high German interest rates over the past year.

At the micro-economic end of the spectrum are the different national techniques of monetary policy and monetary policy instruments, where the recent experiences of France and the UK point to future problems on the way to Emu.

One reason France has been able to fend off the speculators has been the ability of the Bank of France to defend the franc with high interest rates while sheltering its domestic economy from the effects of such measures.

In September, when the franc was under its heaviest selling pressure, the Bank of France made sure it supplied sufficient liquidity in its money market operations for normal domestic needs at the intervention rate of 9.60 per cent. But it pushed up its emergency rate at which it lends against collateral for five to 10 days to 13 per cent from 10.5 per cent.

This move to make speculation against the franc more expensive was reinforced by a particularly fastidious choice of the securities that banks could offer for francs in the repurchase arrangements. Many speculators wanting francs to sell were therefore forced on to the domestic money market, where rates rose to more than 30 per cent. During this period the banks were able to hold their rates stable for their domestic clients.

Such an approach was impossible for the UK authorities in September. The government floated the pound on Black Wednesday when it became clear that the announcement of 15 per cent base rates had failed to stop the selling of sterling. It knew that the high interest rate would have been passed on almost immediately by banks and building societies to their customers.

The UK has a banking system that is far more market-oriented than some on the continent. UK banks pay market or near market rates on the great bulk of their liabilities. They no longer have a significant income endowment from non-interest bearing current accounts. As a result, Bank of England actions in the money market are almost immediately reflected in the UK banks' interest rate structure.

France's recent experience has shown that fulfilling the Maastricht criteria is no safeguard against speculative attack. If Britain were to rejoin the ERM with the Maastricht criteria fulfilled, it would, in conditions such as the past three months, presumably have a difficult struggle to maintain sterling's parity. The UK's money market structure and system of interest rate determination would make it less likely that the UK could win that battle than France so far this year.

So long as the ERM retains its present characteristics, eventual UK re-entry would therefore seem to involve an unpalatable choice. Either Britain would have to accept that sterling was more vulnerable than other currencies because of its financial system. Or it would have to change that system, even though it has evolved to suit best the needs of the UK economy.

These are big issues and they throw yet another question mark against the EC's goal of moving rapidly to Emu by 1999 at the latest.

Honda and Isuzu to sell each other's vehicles

By Steven Butler in Tokyo

HONDA Motor and Isuzu Motor, the Japanese carmakers, have agreed to sell each other's vehicles following Isuzu's decision last week to halt production of passenger cars.

The agreement marks another step in the consolidation of the Japanese car industry, which is struggling under a burden of vast excess production capacity.

Under the agreement, dealers of each company will be able to offer a broader range of vehicles to their customers, while providing expanded sales outlets for each company.

The agreement also remedies an important strategic weakness of Honda, which had nothing to offer in the area of recreational vehicles, one of the few growing areas of the car market in North America.

Honda is to sell the Isuzu Rodeo, a recreational vehicle, under its own label in North America. Honda has long talked about offering recreational vehicles to its customers, but balked at the cost and time needed to develop a suitable product in an area where it had no experience.

The vehicles are produced in Indiana, in the US.

Isuzu, for its part, will begin to market Honda's small passenger cars under its own label in Japan as it phases out production of its own cars. Isuzu will also halt the supply of small cars to General Motors, which owns a 37 per cent stake in the company.

Isuzu has operated in the red for the past two years.

City welcomes electricity sale

Welsh Water can now change its direction, writes Angus Foster

LAST week's sale by Welsh Water of its 14.9 per cent stake in South Wales Electricity is a mark of how serious the company has become about putting its house in order ahead of the 1994-95 review by Ofwat, the regulatory authority, which will decide pricing levels until the end of the decade.

The move should blunt criticism of Welsh's ambitious diversification policy. It follows a decision in June to voluntarily give up some price increases, ahead of other water companies, and silence critics of its profit levels.

The electricity stake was always controversial, even though Welsh made more than £17m profit on the investment. Mr John Elfed Jones, chairman, claimed the two utilities could make savings by combining functions like billing and information technology. Unfortunately, in the narrow world of Welsh business, the aggressive style in which the stake was taken led South Wales to treat it as hostile and reject all advances on co-operation.

Welsh's decision to sell was welcomed in the City, which feared the company's expansion plans could lead to conflict with Ofwat. "It shows it is possible to admit you've got something wrong and get out with credit," according to Mr Robert Miller-Bakewell, analyst at County NatWest.

The sale clears the way for Welsh to change direction on its unregulated business. Mr Jones steps down as chairman in April and strategy will be led by his successor, Mr Iain Evans, and group managing director Mr Graham Hawker.

John Elfed Jones: faced rejection from electricity company of all advances on co-operation after aggressive style of acquisition

Welsh's unregulated business, which includes engineering consultant Wallace Evans, hotel and leisure group Hamdden and an "enterprise" company with pipeline and waste contracting, will probably become lower key. Plans to develop Hamdden are likely to remain on hold. Some analysts believe Welsh would sell the division if hotel prices had not fallen so much.

This will leave Welsh to concentrate on its core, regulated business ahead of Ofwat's review and gradually develop its enterprise businesses, most of which were spun out of the core following privatisation and are lower risk.

According to Mr Hawker: "We intend to give our non-regulated businesses more focus, and only in areas where our core skills are relevant".

Most analysts agree that because Welsh's capital investment targets were less onerous than others, its price rises agreed at privatisation were generous. Its post-1995 price increases, initially set at 5 per cent above inflation, look vulnerable to regulatory review.

The electricity sale, and the voluntary abatement of some price increases earlier this year, will go some way towards improving Welsh's regulatory image. "This reduces the chances of them being harshly treated at the review, although they are not totally out of the woods," one analyst said.

The sale may also mark a watershed for the water sector generally. Because the regulated environment is expected to become tougher following Ofwat's review, companies argue that unregulated businesses will become more important as a source of profits to maintain dividend growth.

Welsh's expansion outside water-related fields was the most high profile, but few other water companies have been successful developing non-core businesses.

Some, such as Southern Water, are making profits from businesses like pipe-laying which have been transferred out of the core. But others, Severn Trent among them, which expanded more aggressively have yet to make money. Severn Trent last year paid £212m for Biffa, involved in waste management, and which is expected to make operating profits of about £12m this year, compared to interest costs of £25m.

Main problem with Biffa, and engineering ventures made by other companies, is the recession. Welsh regularly complained that some of its enterprise businesses were at the start up stage and during recession should not be expected to make money.

Because of the pressure to maintain dividend growth, water companies will continue to try and develop unregulated businesses, even moving into unrelated fields. However, following Welsh's tactical withdrawal, companies are unlikely to make high-profile acquisitions to diversify ahead of the 1994 review.

RJB plans flotation for greater flexibility

By Maggie Urry

RJB Mining, the open-cast coal mining group, plans a flotation next year with a value at over £100m. It has appointed Barclays de Zoete Wedd as financial advisers, and BZW's broking arm de Zoete & Bevan as broker to the issue.

The aim of the float is greater financial flexibility, enabling, for example, a bid for parts of British Coal. A bid could be made for some of the 31 collieries whose future is currently being reviewed by a Commons select committee.

Mr Richard Budge, chief executive, said it "will provide us with additional funding flexibility as we look for further expansion opportunities". These could stem from the coming liberalisation in the coal industry. In the past Mr Budge said he could run British Coal's pits more cheaply, cutting 20 per cent from costs.

In 1991 RJB made turnover of £76m and operating profits of £15m. Its operations, which began in 1974, are entirely in the UK. It runs 11 opencast and one deep mine. It is also involved in private mining under licence and in all has interests in about 2m tonnes of coal reserves. Its other operations include coal washing and land reclamation.

RJB was the subject of a £106.5m management buy-out in February from AF Budge, the private construction company headed by Mr Tony Budge, the brother of Richard. AF Budge went into receivership earlier this month.

The mbo was financed with £45m of equity from a consortium including Schroder Ventures, Midland Montagu Ventures, Charterhouse Development Capital and Prudential Venture Managers. Some of the equity investors are expected to stay with RJB after the float. Mr Richard Budge and the senior management are also shareholders.

● Trading starts today in the shares of International Food Machinery which has joined the official list through a £3.9m placing at 51p a share. IFM trades in used food processing machinery mainly for the meat and bakery trades. The money is to purchase JH Food Machinery, which specialises in fish processing machinery, and to restructure working capital. IFM's market value is £8m.

CU decides to cut pay-outs on with-profit life policies

By John Authers

COMMERCIAL Union, the composite insurer, is to cut pay-outs on with-profit life policies.

However, it will maintain annual bonuses on the policies, in a move which goes against the declared intentions of many of its rivals.

Actuaries for several large life insurers, including Standard Life and Norwich Union, had made it clear that cuts in annual or reversionary bonuses, which are declared each year and then cannot be taken away, could be necessary this year.

This follows several years of indifferent investment returns compared to those achieved in the mid-1980s.

But CU, the first life office to announce its bonuses for 1993, may have damaged what appeared to be a comfortable industry consensus. This should allow it to maintain a high position in competitive league tables of with-profits performance, which is vital for distributing through independent brokers.

However, CU has also cut the amount it pays in "terminal bonus" which is added at the end of a policy. This means that total pay-outs on a typical policy will drop by around 4 per cent – still less than some observers have predicted.

It is also cutting the interim reversionary bonus, appliable for those who die during the next year, from 5 per cent of the underlying sum assured to 4.5 per cent.

The company admits that this indicates that bonuses can be expected to fall next year.

CU says that it may be drawing slightly on the reserves of its life fund to pay the bonus.

Driving force behind mergers

INDUSTRY restructuring remains an important driving force behind many international mergers and acquisitions, writes Brian Bollen.

British Airways furthered its ambitions to be a truly global airline by winning with its bid for a 25 per cent stake in Australia's Qantas.

Italian flag carrier Italia is joining in the trend for airlines to strike alliances by taking a 30 per cent stake in Malev, Hungary's national carrier.

In the financial services sector, Arthur Andersen, the international accountancy firm, announced an affiliation agreement with Asahi Shinwa of Japan, paving the way for a full merger.

Hafnia, the troubled Danish insurance company, started its planned series of disposals with the sale of Prolific, its UK life insurance subsidiary, to Scottish Provident.

Fisons, the UK pharmaceuticals and scientific group, continued with its restructuring by selling its UK consumer healthcare business to Hoffman-La Roche of Switzerland. The demand for a stake in the over-the-counter market was reflected in the generous price paid.

Tesco's acquisition of the Catteau supermarket chain in France, giving it a toe-hold in Europe, is being taken as an indication that the major UK retailers will expand into Europe as their home market becomes saturated.

Tesco said Catteau represented an excellent opportunity to acquire a French retailer in the same sector as its own core business, and that the combination of existing management's local experience and Tesco's expertise will further enhance Catteau's growth prospects.

The third round of bidding in the privatisation of Argentina's gas industry saw British Gas double the size of its global gas division as the consortium it led won the auction for Distribuidora de Gas Metropolitana, the country's largest gas distributor.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
British Airways (UK)	Qantas (Australia)	Airlines	£291m	BA futhers global ambitions
British Gas (UK)	Distribuidora de Gas Metropolitana (Argentine)	Gas distribution	£197m	BG consortium bid wins
Hoffman-La Roche (Switzerland)	Unit of Fisons (UK)	Healthcare	£90m	Fisons continues restructuring
Jardine Strategic Holdings (Hong Kong)	Cycle & Carriage Co (Singapore)	Conglomerate	£82m	K10 sells 16% stake
Scottish Provident (UK)	Unit of Hafnia (Denmark)	Insurance	£81.75m	Hafnia starts disposals
Horsham (Canada)	Clark Oil & Refining (US)	Oil	£63m	Buying outstanding 40%
Alitalia/Simest (Italy)	Malev (Hungary)	Airlines	£48m	Links grow in sector
Pittencrieff (UK)	Commercial Radio Service/ Mounts Tower Leasing (US)	Mobile communications	£4.1m	Expanding interests in sector
Tesco (UK)	Etablissements Catteau (France)	Retailing	£175.6m	Could start UK/Europe trend
Arthur Andersen (intl)/ (Asahi Shinwa (Japan)	Affiliation agreements	Accountancy	n/a	Paves way for merger

Baldwin makes offer for the balance of Simpsons

By Tim Burt

BALDWIN, the group whose activities cover holidays, printing and property, has announced an unconditional offer to buy any remaining shares in Simpsons of Cornhill, owner of the City chop house in which it recently acquired majority control.

The paper offer of one Baldwin share for every two Simpsons values the restaurant company at £1.68m, or 37p per share. When the company was floated on the USM last year investors paid 50p per share.

Since the bid was first announced last month holders of 62.8 per cent of the ordinary and 450,000 of the 'A' shares, or 75 per cent, have accepted.

The latest move could signal the end of any remaining resistance to the offer from the rebel group which earlier this year tried to oust the Simpsons board.

The directors expect, through the enlarged group, to be allowed to expand the restaurants business in London and the south east.

In addition to Simpsons and the Jamaica Inn in the City, the company also owns two central London bistros and has management contracts to operate other eateries such as the Gay Hussar.

Thai Airways bond issue to purchase new aircraft

By Victor Mallet

THAI Airways International intends to issue Y20bn (£105.8m) of Samurai bonds in 1993 or early 1994 and to seek $144m (£94.7m) in loan guarantees from the US Eximbank to finance the purchase of new aircraft, the company said.

According to Thai's firm order delivery plan, four new aircraft are due to be delivered in calendar 1993 – two Airbus A300-600R, one Boeing 747-400 and one Boeing 737-400.

A total of 25 new aircraft with firm orders are scheduled for delivery before the end of 1997.

Thai said its investment budget for the current fiscal year, ending September 30 1993 was Bt10bn, only a third of last year's figure.

Since the civilian government wrested control of Thai from the air force in September, the new management has begun to rationalise the fleet, retiring its DC-10 and BAe146 aircraft and cutting seat-kilometres flown by four per cent.

The state sold 7 per cent of Thai to the public earlier this year, and hopes to sell another 14 per cent when stock market conditions are favourable. The shares are currently languishing below the 60-baht initial public offering price.

Maverick Minebea bears down on profits recovery

Robert Thomson on policy changes at the troubled group that was one of Japan's post-war industrial success stories

Minebea, the world's leading maker of miniature bearings and one of Japan's post-war industrial success stories, appeared to be an endearing maverick for which nothing could go wrong, not its sudden move into selling cosmetics door-to-door nor even an excursion into Canadian pig farming.

However, "Minebea calling" never quite became a household phrase and the Canadian pig farmers found themselves knee-deep in losses, which contributed to the company's consolidated loss of Y13.6bn ($109.3m) in the year ended September, the first since its founding in 1951.

Minebea accepts these ventures may not have provided much synergy with bearings, but the company does take exception to suggestions that another cause of its troubles was an over-reliance on *zaiteku*, the financial engineering particularly popular during the late 1980s.

The company provided against securities appraisal losses of Y2.9bn in the first half, but Mr Ryusuke Mizukami, general manager of corporate planning, said conclusions drawn in the Japanese press about Minebea's fondness for financial engineering were unfair.

"They put us in the same category as companies which were very heavily involved in *zaiteku*.

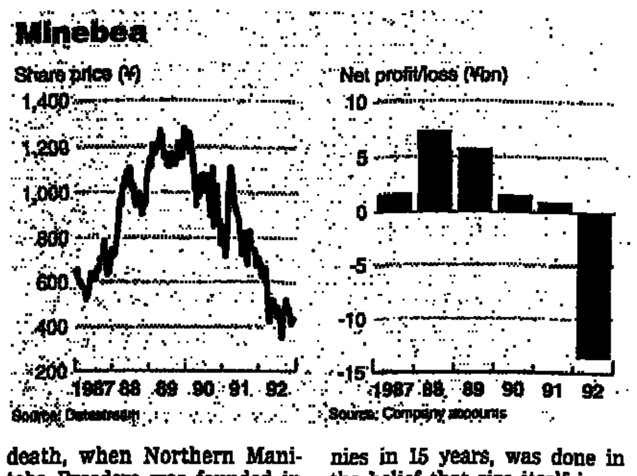
"We do have a big stock appraisal loss, but we had made a decision not to buy shares for the purposes of making money during the bubble period. We bought Tokyo Power shares, but at that time, the price was much higher than the present price," Mr Mizukami said.

Falling Tokyo stock prices certainly dented the parent company's current stock assets, which have a book value of Y43.8bn, and a market value at the end of September of only Y27.4bn. Meanwhile, Japanese banks, now painfully aware of lending risk, are wary of *zaiteku* companies and of those struggling to stay out of the red.

"We certainly didn't want to report a shameful big loss, and our president has been touring the country explaining the situation," Mr Mizukami said.

"Our banks will be more cautious if we report more losses, so we are concentrating on profit recovery."

Sales of core industrial products have risen in the first few weeks of the present year, Mr Mizukami says, and the loss-making hog farm and cosmetics business have been closed. But Minebea insists it is not restructuring or going back to basics, and will maintain its diverse interests in kimonos and consumer credit.



In sifting through the diversifications, Minebea is undergoing a painful re-evaluation of investment decisions made by its late head, Mr Takami Takahashi, who fostered the remarkable growth of the bearing business, but also indulged himself in a boyhood ambition to raise pigs.

When establishing a bearings mother factory outside Tokyo, the company bought an adjoining tract of land with the intention of creating a pig farm, a plan shelved after opposition from the local council.

After more frustration in Thailand, Mr Takahashi's ambition was ultimately fulfilled in 1989, the year of his death, when Northern Manitoba Breeders was founded in Canada.

Minebea owes much to Mr Takahashi for taking the bearing production to Thailand in 1982, before it became fashionable to establish offshore bases.

Of a monthly output of just over 80m bearings, 60m are produced in Thailand and 20m in Singapore, plus smaller quantities in Japan and the UK, where it bought Rose Bearings in 1988.

The acquisition and diversification drive by Mr Takahashi, who bought 22 companies in 15 years, was done in the belief that size itself is an important asset in Japan.

He explained that "big industries generally enjoy advantages or profits from their superior positions", though he, perhaps, did not fully recognise the danger of low-yielding assets weighing heavily on the balance sheet.

"Bearings are still our key product. Electronics-related products are very important," Mr Mizukami said.

Last year, sales of bearings, electronic devices, and machinery components accounted for 80 per cent of the total, while those of others fell by 72 per cent.

Total sales were down by 2.4 per cent to Y278.7bn, far below the company's long-cherished target of Y1,000bn.

Much of Minebea's future profitability will depend on the fate of NMB Semiconductor, an increasing burden on the group since its founding in 1984. NMB was focused on the memory chip market, weak for much of the past two years, but stronger recently, thanks to a recovery in US personal computer demand and a US dumping action against South Korean producers.

The Japanese electronics industry, generally, has suffered because of over-capacity and over-ambitiousness in semiconductor production, leading to unexpectedly weak prices for the present generation of 4Mbit memory chips.

"Semiconductors were a very bad area for us last year. No company did well out of semiconductors," Mr Mizukami said.

"We are able to make 16Mbit chips, but we are not going to compete with people like Fujitsu, NEC and Toshiba to make a 256Mbit chip."

Mr Goro Ogino, Minebea's president, has taken personal responsibility for turning NMB around, but the company is still a regular source of M&A rumours in Japan, with persistent suggestions that Intel of the US, its partner in a project to make flash memory chips, may be a buyer.

The rumours are denied by Minebea, which is hopeful the growing variety of NMB products will ensure its profitability, as will an eventual recovery in the international economy.

Similar hopes are held for Minebea Credit, a financial subsidiary bruised by the collapse of property prices and an increase in personal bankruptcies.

"We see no fundamental problems at Minebea Credit. Consumer credit is about two thirds of the business, and this doesn't involve such big amounts.

"We are not like the non-banks who lent for speculative activity. About a third was real estate-related, and while there are some small problems, there are no serious problems," Mr Mizukami explained.

SME sells controlling stake in sweets unit

By Haig Simonian in Milan

SME, the Italian state-owned foods, catering and retailing group which is high on the government's privatisation list, has sold control of its Adams sweets and candies subsidiary to Parke-Davis of the US.

Parke-Davis is paying just L660m ($434,783) for the 51 per cent of Adams it does not own. However, it will take over Adams's debts of about L22bn and losses this year estimated to be about L11bn.

Adams, which expects sales of L45bn this year, is the third of the four joint ventures set up by SME in recent years to have been sold to the minority partner as part of the group's strategy to divest non-core food production activities.

● Barilla, Italy's biggest privately-owned foods group, which is a market leader in pasta, biscuits and cakes, expects group sales to rise by about 20 per cent this year to L3,350bn.

Part of the increase stems from the consolidation of Pavesi, in which Barilla holds 59 per cent of the shares having bought a further 10 per cent from SME earlier this year. Pavesi's turnover is expected to reach about L320bn this year.

In 1991, Barilla made net profits of L155.5bn on group sales of L2,754bn.

● Carrefour and the German retail group Metro Vermoegensverwaltung will create a joint venture in Italy, said the French hypermarket's newly nominated chief executive Mr Daniel Bernand, Reuter reports from Paris.

He added that Carrefour will hold 60 per cent of the capital of the venture and Metro 40 per cent. Carrefour's store near Venice, scheduled to open in May, will be part of the venture. Metro has no outlets in Italy at present.

Israel bank share sale heavily oversubscribed

By Hugh Carnegy in Jerusalem

A Shk150m ($58m) public share issue by the First International Bank of Israel was some 40 times oversubscribed on the Tel Aviv stock exchange, testifying to pent-up demand for stock in the country's banks, most of which are majority-held by the government.

Initial counts showed applications for the issue totalled about Shk60bn. Taken with a Shk100m offering placed with institutions, the issue amounts to a 20 per cent share in Fibi, Israel's fifth largest bank which is controlled by the Safra family of New York.

The issue underlined the market's impatience for the government to sell its majority holdings in the four senior banks – Bank Hapoalim, Bank Leumi, Israel Discount Bank and Bank Mizrahi – on the stock exchange.

Last month, the state's 42 per cent share in IDB Holding, the investment arm of Israeli Discount Bank, was successfully floated on the exchange, raising $350m in another heavily oversubscribed issue.

However, the government's strategy of selling by private tender controlling shares in the core banks has come unstuck. Last week, the Bank of Israel refused to issue a banking permit to Mr Gad Ze'evi who had an agreement with the government to buy a controlling stake in Bank Mizrahi. First International Bank, traditionally the most profitable of the five main banks, aims to use the funds raised in the issue in its bid to buy Bank Igud, an offshoot of Bank Leumi being sold separately by the government.

Union Carbide offloads $150m assets

By Alan Friedman in New York

UNION CARBIDE, the Connecticut-based chemicals group, said it had sold about $150m of non-strategic assets this year as part of its goal of disposing of $500m worth of assets by the end of 1993.

Mr Robert Kennedy, chairman of Union Carbide, said the 1992 asset sales included the company's investment in Exel Limited, a casualty insurance company; and Carbide's interests in Kemet Electronics and in a Canadian financial trust.

Mr Kennedy said that talks were still under way with prospective buyers of Carbide's Organo Silicon business, a division that makes fluids and chemicals used in fibreglass, reinforced plastics, textiles, coatings, automotive adhesives and other specialty markets.

The Union Carbide chairman, in a year-end letter to employees, called 1992 one of the toughest in memory.

CBOT members reject new trading facility

Laurie Morse in Chicago

MEMBERS of the Chicago Board of Trade have defeated a plan to build a trading facility on property adjacent to the LaSalle Street futures exchange.

Exchange members have said the $150m proposal was too costly, considering the declining profitability of small member firms. But exchange officials said the rapid growth of CBOT financial futures products would be stifled if the trading floor was not expanded.

Mr William O'Connor, CBOT chairman said: "This vote means that our members want the leadership of this exchange to explore other means of developing a new trading facility, and that is what we will do."

Mr O'Connor will leave his post as chairman in January.

● Air Canada would post a loss of about C$300m (US$234.3m) for 1992 after restructuring charges, and 1993 will again be turbulent, Mr Hollis Harris, president, predicted, writes Robert Gibbens in Montreal.

In 1992 Air Canada lost C$218m, as it began a fare war with its rival Canadian Airlines, owned by PWA in Calgary. Both airlines have been ordered by the federal government to reduce capacity and cease the damaging fare war.

Air Canada is trying to complete a joint venture takeover of Continental Airlines in the US and marketing agreements with United Airlines and Air France, while PWA is negotiating a marketing and financial deal with American Airlines.

UK GILTS

Hopes on inflation soften yields

YIELDS moved slightly downwards as gilt practitioners weighed the contrasting signs about future inflation trends with the implications of the large volume of funding expected over the next 12 months.

The welter of economic statistics published last week gave few further clues about the degree to which Britain is emerging from recession. Though many believe that a recovery will become established in the next six months, there are few unambiguous signs about whether an upturn has started.

On balance, last week's data probably further encouraged the belief among some UK investors that the next few months will be a good time for bond purchases.

There were few indications that – once Christmas is over – people would return to the shops in droves to push up consumer spending significantly. Nor did the latest survey of manufacturing trends by the Confederation of British Industry do much to encourage any thoughts that UK factories were about to see a spurt in activity.

Lending by Britain's banks and building societies to the private sector fell by £600m last month, reversing a strong £5.1bn increase in October and adding to the general uncertainty about an upturn. November also saw a bigger than expected increase of 41,000 in unemployment, bringing the total to 2.91m.

The run of figures encouraged the view that inflationary pressures are extremely fragile, and was probably behind the small drop in yields of about 10 basis points shown by most classes of gilts during the week in generally thin trading.

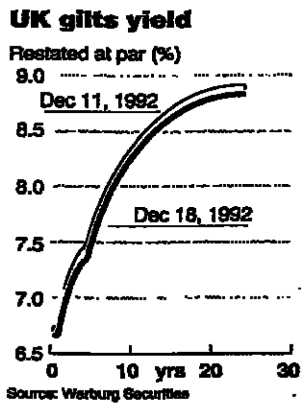
Even though many believe inflationary pressures will exert themselves once a recovery gets under way, on the basis of the recent evidence gilt yields will continue to fall gradually over the next few weeks, with a corresponding small increase in prices.

One factor expected to place a floor under yields is the £1bn or so of gilts that the Bank of England will probably issue every month in the 1993-94 financial year, due to the need to finance increasing state borrowing.

Mr John Shepperd, an economist at S.G. Warburgh Securities, wants the Bank to re-examine its system of gilt auctions to enable this large amount of stock to be sold as efficiently as possible, without leading to large drops in gilt prices.

UK gilts yield

Restated at par (%)



Source: Warburg Securities

A reminder that demand for gilts in recent months has fallen among overseas investors – even while UK investors have remained reasonably enthusiastic about the instruments – came with news from the Central Statistical Office that investment in UK stocks and securities by non-UK organisations in the third quarter came to just £1.3bn.

This lowest quarterly figure since late 1990 was due largely to the big fall-off in overseas purchases of gilts.

Meanwhile the Organisation for Economic Co-operation and Development, in comments last week about the UK economy, illustrated the uncertainties of predicting the inflation pattern over the next year.

The 24-nation group said that "inflation is projected to rise in the near term" due to the effects of higher import prices arising from sterling's devaluation. However, it is "expected to recede again" given the large slack in the economy.

Accordingly, the organisation expects inflation, as measured by the deflator in growth of nominal gross domestic product, to climb from a low 3.9 per cent in the second half of this year to a somewhat high 5.7 per cent in the first half of next year.

On the OECD's projections, inflation would then fall by the end of 1994 to roughly the current figure, with the numbers for the six-month periods starting in the second half of 1993 being forecast at 4.6 per cent, 4 per cent and 3.8 per cent respectively.

Peter Marsh

Thailand opens door to offshore banking

By Victor Mallet in Bangkok

FIFTY-TWO banks have applied to set up offshore banking units in Thailand, the central bank said. The applicants include 37 foreign institutions and all 15 Thai commercial banks.

Thai officials are establishing the so-called Bangkok International Banking Facility in an attempt to make Thailand a financial centre for Indochina and Burma. However, some commercial bankers believe confusion over tax benefits for the OBUs is to blame for a lukewarm international response.

All foreign banks which have applied for OBU licences hope to take advantage of tax concessions, while those banks without branches in Thailand see the move as a way of entering a restricted banking market.

"I look on this as a stepping stone for full branch status in two to three years' time," said Mr Anders Lundquist, chief of Skandinaviska-Enskilda Banken's representative office in Bangkok.

Other commercial bankers believe the central bank is disappointed by the number of applications and point to doubts about tax concessions.

US MONEY AND CREDIT

Spotlight on Little Rock

IT WAS the week before Christmas and all through the Treasury bond market trading was light and lacklustre, with prices fluctuating in a narrow band and much investor attention focused on Little Rock, site of an extraordinary two-day economic talkathon.

President-elect Bill Clinton spent the first two days of last week as the master of ceremonies in a televised confab that was originally billed as an economic summit, then restyled for the American media as a retreat and which ended up being a quintessentially CNN sort of media event.

Mr Clinton proved himself, once again, an able communicator, and even more importantly he displayed a grasp of detail on economic and social policy issues that dazzled much of the American media.

The Little Rock conference broke little new ground, but it was probably a politically astute move for the coalition-building populist from Arkansas.

Mr Robert Brusca, the acerbic chief economist at Nikko Securities, called it the 1990s economic counterpart to Woodstock.

The most important message to emerge from Little Rock, consistent with the previous week's appointments of the Clinton economic team, was that the US deficit matters.

And while that may seem self-evident to denizens of the money market, getting the deficit issue on to CNN during 19 hours of live television is a useful educational exercise for the American public.

The real issue now to be pondered is to what extent signs of a strengthening recovery will allow the Clinton Administration to reduce the size of any planned fiscal stimulus package. Or, in other words, will the Keynesians win out in the short-term or not?

The bond market, while less than enthusiastic about Little Rock, is taking a rather relaxed view on this matter, not least of all because interest rates are low and the past week saw improving figures for housing starts and industrial production in November.

On Friday there was little price movement in the benchmark 30-year Treasury bond, which was down by a mere 1/8 of a point, with a yield of 7.42 per cent, compared to 7.43 per cent a week before.

Analysts at Donaldson Lufkin & Jenrette seemed unusually impressed that Mr Clinton's cabinet appointments and the Little Rock summit showed the incoming Clinton administration to be "deeply committed to budget deficit reduction".

As a result DLJ predicted that bond yields would remain in a narrow range of variation over the next few weeks, but could drop significantly in the next three to six months.

This week sees two big Treasury auctions coming up. On Tuesday, the Treasury is expected to auction $15.5bn of two-year notes and a day later it will offer $11.25bn of five-year paper.

Also on the pre-Christmas agenda is a meeting of the Fed's Open Markets Committee, which is likely to leave monetary policy on hold for the time being.

Tomorrow's final third-quarter gross domestic product number is expected to remain at the previously revised level of 3.9 per cent.

On Wednesday, comes the durable orders data for November, a volatile measure in recent months that was up by 4.1% in October and which is likely to be down by 1 to 2 per cent for November.

On the same day the leading economic indicators are expected to show a rise of 0.3 per cent for November, against a 0.4 per cent increase in the previous month.

So the debate on deficit reduction, fiscal stimuli and the path of the US recovery is now shifting to a post-Christmas view of whether Mr Bill Clinton will prove himself to be more of a Santa or a Scrooge on the macro-economic front.

For the next instalment we will have to wait until after the holidays.

Alan Friedman

AUSTRALIAN BONDS

Question mark hangs over the sector

THE Australian credit markets moved into the traditional Christmas slowdown last week with few economic indicators to chew on, but with a question mark hanging over them: has the long rally in bond yields ended, or is the market simply drawing breath?

Trading has been subdued since the last easing of monetary policy in June, when a 75 basis point cut in official interest rates to 5.75 per cent marked the 12th successive reduction since rates peaked at 18 per cent in January 1990.

The move triggered a rally which reduced the 10-year bond yield to 9.3 per cent, a cut of nearly five percentage points since the rally began in 1989. At the short end, the 90-day bond dipped briefly below 5.5 per cent before slipping back in August to just below 6 per cent. Since then, rates have hardly moved, and the only excitement has been the fortnightly instalment of the federal government's A$18bn bond tender programme.

One reason for the apparent plateau is that the domestic economy continues to perform sluggishly, and most analysts say traders are increasingly worried that growth may fizzle out next year. There appeared to be few supporters for the upbeat view expressed on Friday by Mr Bernie Fraser, the Reserve Bank governor, that growth in gross domestic product was likely to reach 4 per cent by the end of 1993.

By contrast, Mr Ralph Willis, the finance minister, admitted on the same day that the government may have to reduce its own tentative forecast of 3 per cent growth for 1992-93

Some private forecasters are even more pessimistic. Ms Ivana Bottini, a Citibank economist, points out that Australia needs 4 per cent growth in GDP to cut unemployment, currently at a post-war record of 11.4 per cent.

In the face of slow overseas growth and the depressing effect of high unemployment on domestic demand, Australia faces a danger of moving back into recession in the middle of next year, says Ms Bottini.

Even the good news does not look as good as it did. The long rally was underpinned by a steady fall in the rate of inflation from more than 8 per cent in 1989 to 0.8 per cent in June.

However, the authorities have been unable to reduce interest rates further because of the weakness of the Australian dollar, which has depreciated by more than 13 per cent on a trade weighted basis over the past 12 months.

That may change over the next three months if the Labor government decides to cut interest rates further in a last ditch attempt to stimulate economic growth before the next federal election, due by June.

For that reason, the bond curve may steepen in 1993 as short yields fall in anticipation of an easing of monetary policy. But uncertainty is likely to cause the yield curve to move up and flatten once the election campaign gets under way.

In the longer term, investors will be watching for signs of sustained economic recovery, continued low inflation and political stability. Traders say a resumption of the rally is possible if all those factors emerge, especially if the currency stabilises and foreign investors return to the market.

Kevin Brown

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	105¼		5.05
ABN 9 1/8 94	200	106		5.13
AETNA LIFE & CAS 7 3/4 16	200	102⅛	-⅛	7.56
ALBERTA PROVINCE 8 5/8 96	750	107⅜		6.51
ALBERTA PROVINCE 9 3/8 95	600	108⅜	+⅛	5.90
AMERICAN EXPRESS ZERO 00	450	52⅜	+⅛	8.44
AMERICAN GENERAL 9 3/4 95	100	108⅛		6.00
AMERICAN INTL 0 04	750	40⅜	+⅛	8.15
ASIAN DEV BANK 0 04	1000	41⅛	+⅛	7.89
ASIAN DEV BANK 8 96	100	105¼		6.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SAS 10 1/8 95	150	108		7.01
SBAB 9 1/2 95	500	107⅞		5.92
SBC FINANCE 7 3/4 96	200	104⅝		6.31
SEAGRAM CO 8 1/2 96	100	101⅞	-⅛	7.81
SEARS EURO TRUST 8 3/4 96	750	105⅛	+⅛	6.95
SEARS O/S FIN 0 98	500	63⅝	-⅛	8.50
SEARS ROEBUCK EURO 9 3/4 95	500	106⅞		6.44
SNCF 7 1/4 94	175	103		4.40
SNCF 9 1/2 98	150	112	-⅛	6.83
STATE BK NSW 8 1/2 96	200	106		6.52
STATOIL 7 5/8 94	200	102½	-⅛	5.33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	100¼	+¼	5.98
COUNCIL EUROPE 4 3/4 98	250	96¼	+1	5.60
EIB 6 3/4 04	300	107	+2	5.91
ELEC DE FRANCE 7 1/4 06	100	107½	+¼	6.38
FINLAND 7 1/4 99	300	107		5.96
GENERAL MOTORS 7 1/2 95	100	102	+½	6.51
HYUNDAI MOTOR FIN 8 1/2 97	100	105¼	+¼	7.14
ICELAND 7 5/8 00	100	104½	+¼	6.84
JAPAN DEV BK 5 1/2 94	100	99½	+¼	5.95
KOBE 6 3/8 01	240	104	+1¼	5.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units. [illegible]

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS: [illegible]

WARRANTS: [illegible]

INTERNATIONAL CAPITAL MARKETS

UK BONDS

Complaints about poor liquidity

A PRIVATE investor who inherited his mother's investment portfolio, decided to sell some of the assets. He was unable to find a buyer for his mother's triple-A rated yankee bonds. The lead manager for the issue refused to quote him a price.

Eventually, he rang up the treasurer at the company which had issued the bond and complained – the issuer contacted the lead manager and told him to do his job.

There are plenty of institutional investors who complain – usually off-the-record – about the poor liquidity in the secondary market for Eurobonds.

Mr Roger Gray, head of fixed income and currency, at Rothschild Asset Management, says: "In general with Eurobonds the bigger issues are preferred to the smaller ones because of their greater after-market liquidity."

A fund manager at one of the leading UK asset management groups, says: "There are so many problems with liquidity. We usually set a minimum size of issue which we are prepared to own.

"Often the problem is that when you want to buy a new issue, there are 20 market makers, but after six months the number of market-makers drops and it's difficult to find anyone willing to quote a price for the issue."

According to one fund manager's analysis, if you break down the fixed coupon dollar Eurobond market into the number of market makers per issue, you find that only 7 per cent of issues have 21 or more dealers, while 8 per cent have between 11 and 20 dealers, and 59 per cent of the issues have fewer than three dealers.

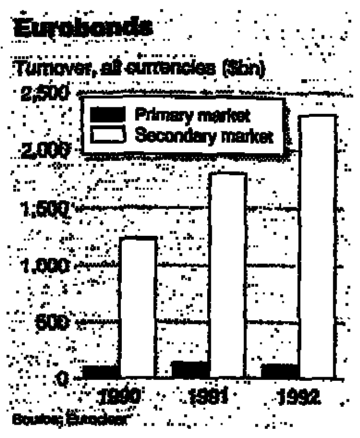
In addition, bid-offer spreads may widen considerably with time. For example, Isveimer, the Italian state borrower, launched a US$125m floating-rate note in July which was recently quoted at a spread of 97.80-98.85 with one market maker. The wide spread indicates there is very little trading in the bond.

Market makers tend to play down investors' complaints. Mr Jerry Goldstein, chairman of the ISMA Council of Reporting Dealers and a director of Sanwa International, claims "institutional investors will always be able to get immediate bids and offers in any trade from major market makers except maybe in cases where you have very old bonds or bonds which don't trade very often – or when bond markets are very volatile".

Investors eager to dump Ecu bonds this summer experienced such a problem. When the Danes rejected the Maastricht Treaty on June 2, they sowed confusion over European economic and monetary union. Investors were desperate to sell their Ecu bonds, but at one stage found the market makers were not prepared to quote prices.

Mr Goldstein points out anyone who is a lead manager or co-lead should be prepared to make markets in an issue for at least a year. "If they don't, it is regrettable but I can't see any way of improving this situation," he says, although he is in favour of continued discussions with the International Primary Market Association (Ipma) to try to improve these guidelines.

Mr Peter Luthy of Luthy Baillie Dowsett Pethick, which advises on bond investments but is not a market maker, points out it does not make sense – economically – for market makers to continue making markets in each of the stocks in which they were involved.



"There is no point (for the market maker) wasting time on issues which trade only seldom. It would be very costly for the trader to stay aware of the prices, to do all the research on the issue and constantly assess it."

He maintains fund managers often make the mistake of buying paper without considering its future liquidity. "Investors should only buy something illiquid if the yield is sufficient to justify the risk that they might have to sell it later."

Mr Goldstein recommends improving liquidity by encouraging borrowers to make a regular appearance in the Eurobond market, going for large issues and, if practical, fungible bonds (in other words, bonds with the exactly same terms which count as one issue).

In practice, borrowers may be unwilling to use fungible issues, particularly if bond yields are falling and they want to save costs by offering a smaller coupon. And they are certainly unlikely to want to borrow more than they actually need. However, investors acknowledge that issuers are making an effort to launch bigger issues in order to improve liquidity in the secondary market.

One fund manager at a UK insurance group says: "Over the past few years, average issue size has increased. Eurosterling bonds are normally about £100m and that is considered a fairly good size. However, there are very few Eurosterling issues of around £500m. The point is that in the gilt market, a £500m issue would be considered an illiquid bond."

Figures provided by Euroclear show that new issues – rather than existing bonds – tend to be the most actively traded Eurobonds.

There's no doubt that investors generally find it easier to buy large amounts of stock in the new issue market. But one fund manager says his strategy is to ignore the new issue market and concentrate on the much older issues which have been sold off cheaply.

"We feel that people are paying too high a price for liquidity," he says. Other investors who need to be able to sell their holdings at short notice and at as high a price as possible, admit that they prefer to concentrate on the more liquid government bond markets instead.

Sara Webb

RISK AND REWARD

UK insurance groups see a brighter future in derivatives

SOME UK insurance companies are becoming big users of equity futures and options. Protecting their solvency margins and making their investment operations more efficient are things which derivatives should make easier.

Also, some of their latest investment products are derivatives-based. Expected changes in regulations and a changing attitude on the part of the insurers themselves, are likely to speed the process.

The insurers have a high proportion of their shareholders funds invested in equities. This reflects the long-run out-performance of equities, and a desire by insurers to protect their capital bases during periods of high inflation.

Many use equity options to protect themselves against the devastation to their solvency margin that a market collapse would cause.

"We do it from time to time to lock in a healthy level in the UK equity market," said Mr Mike Payne, investment director at Legal & General. Royal Insurance – whose solvency margin is under greater pressure than many other insurers – and Commercial Union are others which follow this policy.

As the general level of share prices moves up, L&G buys options to keep raising the floor under its shareholders funds.

"There is a ratchet effect here," says Mr Payne. Buying out-of-the-money options (where the exercise price is well below market levels when the option is bought) helps to keep down the cost of hedging. "It's when you protect at the money that you really have to pay. You have to self-insure the first 100-point drop."

Such prudence is not now rewarded under solvency regulations issued by the Department of Trade and Industry, the insurers' regulator. The DTI specifies which assets insurance companies can count towards their solvency margins, and in what proportion. Last produced in 1981, these regulations have not kept pace with the sort of financial instruments insurance companies now use, and futures and options are not included in the list of recognised assets.

The Prudential is widely recognised in the industry as the company to have used derivatives most extensively and for longest, though its approach is highly conservative

So long as the stock market goes up, this does not present a significant problem. If an insurer holds options that are considerably out of the money, the market value of these assets is likely to be small in relation to the equity holdings they are designed to protect.

Perhaps for that reason, insurers appear relatively unconcerned by the outmoded regulations. However, if share prices fall, the value of the options would quickly rise, making them a more significant part of the insurers' capital base (this is why they are bought in the first place).

This anomaly is now the subject of discussion between the DTI and the Association of British Insurers, the industry's trade association. Amended regulations are expected to recognise the use of derivatives to protect solvency margins, so encouraging insurance companies to make greater use of such instruments.

Insurers have become big users of equity derivatives to help them manage their portfolios more effectively.

The Prudential is widely recognised as the company to have used derivatives most extensively and for longest, though its approach is highly conservative.

It uses stock index futures for two purposes, says Mr Rodney Dennis, of Prudential Portfolio Managers: to make a change in asset allocation, and to take a position in the equity market in advance of expected cash receipts.

The costs of shifting an exposure through futures is far smaller than through an investment in the underlying stocks.

Taking into account commissions, stamp duty and the spread paid to market makers, the Prudential reckons the cost of moving into and out of stocks at 1.9 per cent. A similar round trip in futures, it says, costs 0.054 per cent (though futures contracts need to be rolled over every three months).

Futures are only used to make short-term shifts in asset allocation, though.

Nor does the Pru – or any other insurer – use futures or options to generate better investment returns. It invests on fundamental views about particular stocks or asset classes, looking to derivatives only as tools to help make those selections.

Trying to enhance returns through derivative-based trading strategies "is an activity which doesn't appear to be a natural part of our business", Mr Dennis says.

In spite of this, the investment products offered by insurers are likely to become increasingly dependent on futures and options.

Retail futures funds may not have taken off, in spite of new regulations a year ago; but many insurers have launched guaranteed equity products this year, which give investors a proportion of any gains in the equity market, plus their money back.

This is tantamount to selling investors an equity call option, with the rest of their money placed on deposit.

Some insurers, such as Legal & General, hedge their exposure under such products internally through their investment funds. Others, if market talk is to be believed, don't hedge at all. As such products become more common, insurance companies' ability to price options, and to use the markets to hedge, will become an important part of their investment skills.

Richard Waters

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sumitomo Metal Mining(a)♦	400	1998	5	3.75	100	Daiwa Europe	-
Inter-American Dev.Bank(b)	200	1997	4.64	6	98.985	Salomon Brothers Int.	6.248
Nord LB, London(d)‡	100	1993	1	(d)	100	Lehman Brothers Int.	-
Eurofima(f)‡	50	2003	10	(f)	99.7	Goldman Sachs Int.	-
YEN							
Republic of Austria	75bn	2001	8	5	100	IBJ Int.	5.000
Daicel Chemical Industries	10bn	2000	7.26	5.6	101.8	Nomura Int.	5.290
Daicel Chemical Industries	10bn	1997	4.26	5.1	101.5	Nomura Int.	4.697
ECUs							
EEC(e)	80	1997	4.92	8.625	99.425	BZW	8.767
D-MARKS							
Draeger Finance(c)‡	100	1998	5	(c)	100	Dresdner Bank	-
CANADIAN DOLLARS							
Crédit Local de France(g)	50	1997	4.93	7.75	100.375	Lehman Brothers Int.	7.652
GUILDERS							
Koninklijke Ahold	200	2000	7	7.625	100.2	ABN Amro Bank	7.587
SWISS FRANCS							
OKB	300	2003	10	5.5	100.25	Swiss Bank Corp.	5.467
Crédit Local de France★★	125	2000	7	5.75	102	Swiss Bank Corp.	5.399
Republic of Finland	500	2001	8	6	102	Crédit Suisse	5.682
Total★★	150	2000	7	6	102	Crédit Suisse	5.646
Rabobank Nederland★★	100	2001	8	5.75	102.75	UBS	5.319
Shell Australia★★	100	2000	7	6	102.375	UBS	5.581
Republic of Ireland★★	100	2003	10	5.75	100.375	UBS	5.700
LUXEMBOURG FRANCS							
Locabel Int.	1bn	1998	5	8.2	101.75	Crédit Européen	7.764
Tractebel Invest Int.	750	2003	10	8	102.05	Paribas Luxembourg	7.699
Thompson Brandt Int.	600	2000	7	8.125	102.25	Kredietbank Lux.	7.697
Finnish Export Crédit	1bn	1998	5.16	8	101.9	Banque Int. à Lux.	7.533

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. a) Exercise premium fixed at 2.84%. b) Fungible with outstanding $500m issued in August. Plus 131 days accrued interest. c) Coupon pays 50bp above 6-month Libor. d) Coupon pays 37½bp below 3-month Libor. Putable every 3 months at par. e) Fungible with outstanding ECU740m. Plus 30 days accrued interest. f) Issue launched on 1/12/92 has been increased to $200m. Coupon pays 25bp below 6-month Libor. Minimum coupon 5⅛%, maximum 8¼%. g) Fungible with outstanding C$500m launched in February. Plus 23 days accrued interest. Note: Yields calculated on ISMA basis.

NOTICE TO THE HOLDERS OF

MATSUSHITA ELECTRIC WORKS, LTD.

(the "Company")

U.S.$100,000,000 7 ½ per cent.
Convertible Bonds Due 1995
(the "Bonds")

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(C) (iv) of the Bonds, the Conversion Price has been adjusted with effect as of December 11, 1992 in Japan due to the issuances by the Company on such date of securities convertible into shares and warrants to subscribe for Shares. The consideration per Share receivable by the Company upon conversion and subscription, respectively, of such securities and warrants shall be less than the current market price per Share (as defined in the Conditions) on December 11, 1992.

As a result, the following adjustment to the Conversion Price of the Bonds has been made:

(1) Conversion Price prior to such adjustment: Yen 482.6
(2) Conversion Price after such adjustment: Yen 480.7
(3) Effective date of the adjustment: December 11, 1992 (Japan time)

MATSUSHITA ELECTRIC WORKS, LTD.

Dated: December 21, 1992

Sparbankernas Bank
(Swedbank)

Japanese Yen
10,000,000,000

Floating Rate Notes due 1993

For the period 21st December 1992 to 21st June 1993 the rate has been fixed at 5.52 per cent. per annum and interest payable 21st June 1993 for Coupon No. 10 will be Yen 2,752,438 per Yen 100,000,000.

The Industrial Bank of Japan, Ltd.
Agent Bank

Bank of Singapore (Australia) Limited
A $20,000,000
Term Subordinated Floating Rate Notes Due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest period from 21 December 1992 to 21 June 1993, the Notes will carry an Interest Rate of 6.1875 % per annum. The Interest payable on the relevant interest payment date 21 June 1993 will be A $ 3,128.13 per A $ 100,000 Note.

Agent
OCBC BANK
Singapore

WORLD STOCK MARKETS

CANADA

INDICES

NEW YORK

DOW JONES	Dec 18	Dec 17	Dec 16	Dec 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3313.27	3269.23	3255.18	3284.36	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.92	102.94	103.06	103.05	103.21 (14/12)	98.41 (20/3)	103.21 (14/12/92)	54.99 (1/10/81)
Transport	1451.02	1430.47	1397.23	1402.07	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.90	219.89	219.70	219.20	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3325.97 (3289.22) Low 3261.94 (3229.79) (Theoretical)♦
Day's High 3313.54 (3271.93) Low 3269.23 (3251.40) (Actual)♦

STANDARD AND POOR'S

	Dec 18	Dec 17	Dec 16	Dec 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	441.28	435.43	431.52	432.57	441.28 (18/12)	394.50 (8/4)	441.28 (18/12/92)	4.40 (1/6/32)
Industrials	515.75	509.12	504.35	505.75	515.75 (18/12)	470.91 (8/4)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	40.43	39.78	39.45	39.69	40.43 (18/12)	32.40 (8/4)	40.43 (18/12/92)	8.64 (1/10/74)
NYSE Composite	242.08	239.12	237.26	238.02	242.08 (18/12)	217.92 (8/4)	242.08 (18/12/92)	4.46 (25/4/42)
Amex Mkt. Value	392.03	390.42	389.30	390.66	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	661.29	658.46	649.63	650.75	667.12 (8/12)	547.84 (26/6)	667.12 (8/12/92)	54.87 (31/10/72)

	Dec 11	Dec 4	Nov 27	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.13	3.14	3.14

	Dec 16	Dec 9	Dec 2	year ago (approx.)
S & P Industrial div. yield	2.58	2.58	2.61	2.78
S & P Indl. P/E ratio	26.78	27.10	26.71	23.24

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Tucson Elec	23,984,600	2¼	+ ¼
IBM	7,640,900	51⅛	- 1⅝
Coca-Cola	5,342,300	43⅛	+ 2⅛
Am T & T	4,948,800	49⅝	+ ⅝
Merck	4,306,200	47	+ ½
Philip Morris	4,269,800	76½	- ⅜
Gen Motors	3,821,300	33⅛	+ ⅛
Exxon	3,552,300	62⅞	+ ⅞
Navistar	3,540,200	2⅛	+ ⅛
Gen Elec	3,198,700	86⅞	+ 1⅛

TRADING ACTIVITY

† Volume Millions	Dec 18	Dec 17	Dec 16
New York SE	371.030	248.590	241.910
Amex	17.717	15.082	15.457
NASDAQ	(u)	247.940	258.269
NYSE			
Issues Traded	2,419	2,421	2,411
Rises	1,298	1,130	745
Falls	571	659	1,042
Unchanged	550	632	624
New Highs	141	67	47
New Lows	21	33	29

CANADA

TORONTO	Dec 18	Dec 17	Dec 16	Dec 15	1992 HIGH	1992 LOW
Metals & Minerals	2748.63	2741.81	2746.4	2760.37	3238.87 (16/1)	2529.91 (17/11)
Composite	3320.41	3304.33	3296.15	3264.61	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1760.73	1759.50	1747.35	1726.73	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

AUSTRALIA — All Ordinaries (1/1/80); All Mining (1/1/80). AUSTRIA — Credit Aktien (30/12/84); Traded Index (2/1/91). BELGIUM — BEL20 (1/1/91). DENMARK — Copenhagen SE (3/1/83). FINLAND — HEX General (28/12/90). FRANCE — CAC General (31/12/81); CAC 40 (31/12/87). GERMANY — FAZ Aktien (31/12/58); Commerzbank (1/12/53); DAX (30/12/87). HONG KONG — Hang Seng Bank (31/7/64). IRELAND — ISEQ Overall (4/1/88). ITALY — Banca Com. Ital. (1972); MIB General (2/1/92). JAPAN — Nikkei (16/5/49); Tokyo SE (Topix) (4/1/68); 2nd Section (4/1/68). MALAYSIA — KLSE Composite (4/4/86). NETHERLANDS — CBS Ttl Rtn.Gen.(End 1983); CBS All Shr (End 1983). NORWAY — Oslo SE Ind (2/1/83). PHILIPPINES — Manila Comp (2/1/85). SINGAPORE — SES All-Singapore (2/4/75). SOUTH AFRICA — JSE Gold (28/9/78); JSE Industrial (28/9/78). SOUTH KOREA** — Korea Comp Ex. (4/1/80). SPAIN — Madrid SE (30/12/85). SWEDEN — Affarsvariden Gen. (1/2/37). SWITZERLAND — Swiss Bank Ind. (31/12/58); SBC General (1/4/87). TAIWAN** — Weighted Price (30/6/66). THAILAND — Bangkok SET (30/4/75). WORLD — M.S. Capital Intl.(1/1/70) (5); Euro Top-100 (26/6/90).

**Saturday December 12: Taiwan Weighted Price: 3,742.61, Korea Comp Ex. 647.28. ♦ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, December 18, 1992

	Stocks Traded	Closing Prices	Change on day
NPN Steel	9.5m	299	+5
Toshiba	6.6m	645	+9
NKK	4.5m	286	+7
Hitachi	4.1m	754	+9
Nomura Sec	4.0m	1,560	+40
Kawasaki Steel	3.7m	297	+6
Sumitomo Mtl	3.6m	277	+4
Mitsubishi Elec	3.4m	490	+12
Sumitomo Mtl	2.8m	643	-7
Mitsui Mining	2.8m	486	+1

FT MANAGED FUNDS SERVICE

● Unit Trust prices are … listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	117.28	117.50	123.70	5.39	47424
Pooled Pension ‡	7	139.3	143.8	153.8		47257
Smaller Cos	5	52.83	54.68	57.56	2.54	46201
UK General	5	112.00	113.50	119.50	2.89	–
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	366.74	366.74	388.74	5.31	40913
Global Inc	5	51.99	51.99	55.11	4.41	40916
Brit Leaders	5	307.51	307.51	325.96	3.14	40914
Intl Leaders	5	165.06	165.06	174.96	1.67	40915
P As Wa Bal Gath Accy	3¼	48.37	49.67	51.61	3.29	40800
P As Wa Bal Gath Incy	3¼	48.37	49.67	51.61	3.29	–
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	46.49	46.49	49.45	1.69	42492
Far Eastern Tst	6	50.05	50.73	53.96	0.91	–
Smaller Cos	5	116.8	121.6	129.3	2.69	47431
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	254.4	254.9	269.7	0.98	41390
S & W Capital	5	106.2	106.2	113.7	2.04	40181
S & W Cash	0	101.58	101.58	101.58	6.62	47903
S & W European	5	102.6	102.8	108.7	1.22	40253
S & W Far Eastern	5	103.6	104.7	110.7	0.00	40474
S & W Growth	5	113.6	114.9	121.5	1.64	41391
S & W Income	5	100.1	101.4	107.2	5.57	41392
S & W Magnum	5	112.1	112.1	120.2	1.93	47800
S & W Smlr Secs	5	254.8	260.4	275.5	0.91	41395
S & W Thoroughbred	5	129.1	129.1	138.4	0.83	40263
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
American Gwth	5¼	74.61	74.61	79.79	0	41525
Eur Sp Sits Acc	5¼	40.02	40.02	42.50	0	41526
Eur Sp Sits Inc	5¼	37.79	37.79	40.14	0	41527

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	85.77	85.77	87.78	0.00	41596
Short Dtd Gilt	1¼	106.6	106.6	108.0	3.57	41597
U S Govmt Bond	1¼	0.7007	0.7007	0.7099	0.00	41598
Gilt Income	4	50.51	50.51	52.56	8.69	47808
Gilt Growth	4	62.68	62.68	65.23	0.00	47009
City Reserve	0	55.36	55.36	55.36	6.92	47006
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 398046						
Stockmarket Fd F	5	62.94	63.15	67.18	2.40	45998

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-line
Baillie Gifford & Co Ltd				
Int'l Expt Dec 14	627.6	647.5	1.07	40105
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	50.93	52.66	4.8	–
Income Plus	48.44	49.41	7.5	–
James Capel Fund Managers Ltd				
Managed Exempt	123.454	130.654	4.13	43128
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AD 071-588 1815				
Inv Fund Nov 30	559.95	565.60	5.27	40251
Fxd Int Sec Nov 30	149.10	149.85	9.68	40252
Deposit Fund See Money Market Trust Funds				
Charinco/Charishare‡‡ (1000)F				

INSURANCES

Continued on next page

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FT MANAGED FUNDS SERVICE

...e, call 0891 43 + the five-digit code listed after ... cheap rate and 48p/minute at all other times.

Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Grth Mngd	621.5	661.2	-	43315
Adventurous Mngd	148.4	157.9	-	46402
Cautious Mngd	120.4	128.1	-	46403
Cash Fd	315.3	332.2	-	43316
Property Fund	215.7	229.5	-	43317
Equity Fund	708.4	753.7	-	43318
Fxd. Int. Fund	394.9	416.2	-	43319
International	315.3	335.5	-	43320
High Income	553.2	588.6	-	43321
Far East	408.5	434.4	-	43322
North American	419.6	446.4	-	43323
Special Sits	309.5	342.1	-	43324
Technology	418.9	445.6	-	43325
[illegible]	304.1	323.6	-	43326
Convertible & Gilt Fd	145.7	155.0	-	43327
American Income	167.1	177.8	-	43328
Gilt Fund 20	434.9	462.7	-	43329
European Fund	112.6	119.8	-	43330
Pref & Fixed Int	109.4	116.4	-	46332
UK Blue Chip	114.8	121.0	-	47044
Recovery Fund	106.5	113.3	-	47056
Equity Income Dist	101.6	108.1	4.98	47616
Managed Dist	96.3	102.5	9.91	47617
High Yield Dist	100.2	105.6	7.35	44422
Pension Funds				
Balanced Gth Mgd Pens Acc	723.9	762.1	-	43331
Adventurous Mgd Pens Acc	154.8	168.0	-	46404
Cautious Mngd Pens Acc	138.6	145.9	-	46405
Building Soc. Acc	362.8	381.9	-	43332
Property Pens Acc	294.0	309.5	-	43333
Fix. Int. Pens. Acc	622.6	655.4	-	43334
Equity Pens. Acc	904.3	951.9	-	43335
International Pens Acc	290.3	305.6	-	43336

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MANAGEMENT SERVICES

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline. call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

IBI Global Funds Limited

R & H Fund Managers Ltd

Target International (Isle of Man) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd (0900)H

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mgmt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

EBC Fund Managers (Jersey) Ltd

Equitilink International Mngt Ltd

Fleming Group

Foreign & Colonial Mgmt (Jersey) Ltd

Greece Fund Ltd

John Govett Management (Jersey) Ltd

INVESCO MIM International Limited

Lloyds Bank Trust Co (CI) Mngrs

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Alliance Fund Mngrs Luxembourg SA (u)

Cresvale Group (u)

DB Investment Management SA

Den norske Bank

Disa Income Fund

Dresdnerbank Asset Mngmt SA (u)

Eagle Star – Global Assets Fund (u)

EquiFund–Wright National Eqty Fd (u)

Fidelity Funds (u)

Fleming Group

Gartmore Indosuez Funds

Gartmore Luxembourg SA (u)

Henderson Management SA (u)

Hill Samuel Inv Services Intl SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

INVESCO MIM International Limited (u)

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund (u)

Latin American Mngmt Group Ltd (u)

Liberty ALL-STAR World Pfolio-Eqty F(u)

Lloyds Bank Luxembourg

Midland Internatnl Circuit Fund SICAV(u)

Nomura Global Fund (u)

Norwich Union Intl Portfolio (u)

PRIMA Worldwide Inv Portfolio Sicav (u)

Regent Global Fund (u)

Sanpaolo Group (Luxembourg)

Schroder International Selection Fd (u)

Sun Life Global Management Ltd (u)

Templeton Global Strategy SICAV

Touche Remnant (Guernsey) Ltd (u)

Tyndall Global Fund SICAV

S. G. Warburg Asset Mngmt Lux SA (u)

Europe Value Fund (u)

EurOptec (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

Five Arrows Asia Pacific Fund

Five Arrows Intl Bond Fund (u)

Fleming Group

H.C.M. HYPO Capital Mgt Luxembourg SA

International Bond Trust

International Specialty Fund (u)

INVESCO MIM International Limited

Investissements Atlantiques SICAV

Latin American Mngmt Group Ltd (u)

Leveraged Intl Fds–Global P'folio FCP (u)

Lloyds International Liquidity

Merrill Lynch Asset Management

Morgan Stanley Sicav

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Atlantas Sicav

BAII Intermarket Fund

Banque Ferrier Lullin (Lux) SA

CB Fund International

CSFB Umbrella

Citicorp Investment Mngt Luxembourg SA

Credit Commercial de France

Credit Lyonnais Rouse (Bermuda) Ltd

Daiwa Japan Gwth Fund

Daiwa Japan Small Equity Fd (u)

The Dragon Fund Sicav

Emerging Markets Investment Fund

Esprito Santo Investment Mngmt (SICAV)

Europe Plus Investissement (SICAV) (u)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Austro-Hungary Fund Ltd

BEA Associates

Julius Baer Bank & Trust Co Ltd

Baer Fr Serv & Cr/Europ Inv Mgt Ltd

The First Korea Smaller Companies Fund

Barclay Emerging Fund Ltd

Baring International Group

The Batavia Fund Ltd

Bermuda Intl Invmnt Mngmt Ltd

The Brazilian Inv Fund

Bridge Management Ltd

Buchanan Fund Ltd

Butterfield Management Co Ltd

Calamita Fund Management

Candover Ltd

China Investment Company

The China Invest & Development Fd Ltd

Citizens Investment Trust Mgt Co Ltd

Connaught Investments Ltd (Hong Kong)

Credit Lyonnais Intl Asset Mngt (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Crystal Corporation N.V.

DICAM Asian Emerging Fund

DWS Deutsche Ges. F. Wertpapiersp

Dalwa Capital Management (H.K.) Ltd

Daiwa Japanese Equity Warrant Fund

Dresdner International Mngmt Srvcs Ltd

EGS Overseas Fund Ltd

E.T. Investment Management

Emerging Markets Management

English & Dutch Investment Trust Co

Ermitage Group

Europa 1992

S.G. Europe Obligations SA

FFM / Swiss Financial Services

Falcon Fund International Ltd

Fidelity Investments

First Mexico Income Fund

Five Arrows Chile Fund Ltd

Formosa Fund

For GAM Adaptations see Global Asset Management

GT Chile Growth Fund Ltd

GT Management (Asia) Ltd

Global Asset Management – Contd.

Global Government Plus Fund

Grenville Management Limited

Green Way Guaranteed Ltd

Gross Ore Limited

Group One International Tst

Guinness Flight Intl Fd Mgr Ltd

Hill Samuel Investment Services Intl Co

The India Magnum Fund NV

Indosuez Asia Invest Services Ltd

The Jaguar Fund N.V.

The Japan Capital Secured Trust

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

Jefferson Fry Securities Ltd

Kestrel

Korea Investment Trust Co Ltd

Lazard Freres

Lehman Brothers Sports Growth Fund

Lepus Asia Ltd

Lloyd George Management

London Portfolio Services Group

MFS Meridian Funds

Malaysia Capital Fund Ltd

Malaysia Fund (Labuan) Ltd

Malaysia Growth Fund

Malaysia Select Fund Ltd

Malaysian Smaller Co's Fd (Cayman) Ltd

Manufacturers Life Investment Management

Mavrick International Fund

Merrill Lynch Asset Management

Mexico Fund

Morgan Stanley Emerging Market Fund

Morgan Stanley Japanese Warrant Fund NV

Multi-Currency Investment Trust Co

Gartmore Sector Analysis Portfolio NV

Genesis Fund Managers Ltd

Nomura Warrant Fund 1990 Ltd

North Star Fund

Gartmore

Global Asset Management

Odey Asset Management Limited

Old Ironsides International Ltd

Omega Overseas Partners Ltd

Optima Fund Management

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ORIENT Growth Fd

PFC Internatl Portfolio Fd Mngt Ltd

PRS International

Pacific Growth Fund

Paine Webber Offshore Funds Plc

Pakistan Fund

Pequot International Fund Inc

Pierson Heldring & Pierson

Portuguese Investment Fund Ltd

Putnam International Advisers Ltd

Pyrford Investment Mngmt SA Suitz

Quantum Group

Real Estate Strategies Ltd

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Rothschild & Co.

Safra Republic Holdings

Schroder Investment Management Limited

Schroder Japanese Warrant Fund

Schroders Asia Limited

Schroders Australia Ltd

Scudder Chartered Fund

Scudder Stevens & Clark Inc

Smith Barney Shearson

Soditic Asset Management Inc

State Street Banque SA

Tabasco Fund Management Ltd

Taiwan Tracker Fund Limited

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Inti Fund

The Thailand Fund Ltd

Thames Currency Fund Ltd

Thornton Investment Management Ltd

Trans Global Investment Fund Ltd

Tudor BVI Futures Ltd

Tyndall International (Bermuda) Ltd

The Vietnam Fund Limited

Warburg Asset Mgmt Fd Mngrs (Bermuda) Ltd

Worldwide Limited

Xiphias International Fund

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Positions to close

WITH little but the Christmas holidays to focus on this week most traders will be busily closing their positions. They will be looking forward to taking their profits following a turbulent fourth quarter, *writes Peter John*.

Pressure on the French franc is expected to abate for the remainder of the year although many economists believe that recent selling merely reflected a phoney war and the heavyweight strategic assaults will return in January.

UK clearing bank base lending rate 7 per cent from November 13, 1992

There has been some criticism that the Bank of France has allowed the franc to slide when, in a thin market, it could have supported it easily. However, lessons have been learned from the UK's failure to support sterling and the French central bank is determined not to throw good money after bad. Instead, it has been conducting, along with the Bundesbank, a strong public relations campaign combined with slight but consistent intervention and is believed to be ready to use its muscle when the time is right. "The debacle of Black Wednesday showed the French that timing is everything," said one economist.

In the UK, analysts are preparing to pick over the November trade figures tomorrow. Mr Neil MacKinnon of Citibank expects the seasonally adjusted visible trade gap to have widened to £1.3bn from £1.2bn in October.

Elsewhere in Europe, pressure on the Irish punt and the Danish krone continues. There is a feeling that, as Gordon Gekko would have said in the film Wall Street, the punt is "wreckable" while the krone will receive more support.

The dollar has performed badly in spite of positive US economic news – but only because dealers have had long positions and NatWest Capital Markets advises clients to look for buying opportunities against the D-Mark and Yen.

£ IN NEW YORK

Dec 18	Close	Previous Close
£ Spot	1.5665-1.5675	1.5790 1.5800
1 month	0.54-0.52pm	0.54 0.53pm
3 months	1.44-1.41pm	1.46 1.43pm
12 months	3.95-3.85pm	4.00 3.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CHICAGO

[illegible]

OTHER CURRENCIES

Dec 18	£	$
Argentina	1.5655 - 1.5680	0.9900 - 0.9910
Australia	2.2625 - 2.2645	1.4460 - 1.4470
Brazil	17836.8 - 17848.4	11282.0 - 11282.2
Finland	8.0205 - 8.1850	5.1200 - 5.1400
Greece	322.950 - 329.450	205.850 - 209.950
Hong Kong	12.1155 - 12.1315	7.7355 - 7.7365
Iran	2270.00*	1450.00*
Korea(Sth)	1233.60 - 1253.50	786.20 - 792.40
Kuwait	0.46850 - 0.46950	0.29950 - 0.30000
Luxembourg	50.45 - 50.55	32.20 - 32.30
Malaysia	4.0385 - 4.0505	2.5800 - 2.5820
[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Dec 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5630 - 1.5750	1.5650 - 1.5660	0.54-0.52cpm	4.06	1.43-1.40pm	3.62
Canada	1.9925 - 2.0140	1.9955 - 1.9965	0.08pm-0.05cdis	0.09	0.03-0.18dis	-0.21
Netherlands	2.7525 - 2.7665	2.7525 - 2.7625	¼-¾cdis	-1.09	¾-1¼dis	-1.45
Belgium	50.35 - 50.75	50.45 - 50.55	2-9cdis	-1.31	15-25dis	-1.58
Denmark	9.4660 - 9.5130	9.4700 - 9.4800	6⅞-11⅞oredis	-11.72	14½-22½dis	-7.81
Ireland	0.9280 - 0.9335	0.9280 - 0.9290	1.80-1.20ppm	19.39	3.20-2.55pm	12.39
Germany	2.4475 - 2.4590	2.4475 - 2.4525	¼-½pfdis	-2.14	1¼-1¼dis	-1.94
Portugal	219.00 - 220.20	219.00 - 220.00	167-185cdis	-9.62	474-532dis	-9.17
Spain	173.85 - 175.15	173.85 - 174.15	119-125cdis	-8.41	328-339dis	-7.67
Italy	2199.00 - 2221.40	2199.00 - 2200.00	11-15liredis	-7.09	35-40dis	-6.82
Norway	10.5170 - 10.5820	10.5375 - 10.5475	4¼-5⅞oredis	-5.69	12-13¼dis	-4.88
France	8.3625 - 8.4095	8.3625 - 8.3725	3¼-4¼cdis	-6.10	9¾-11¼dis	-4.99
Sweden	10.8450 - 11.0420	10.8450 - 10.8550	2⅞-3½oredis	-3.39	7-8¼dis	-2.83
Japan	192.50 - 193.70	192.50 - 193.50	¼-½ypm	3.89	1⅜-1⅝pm	3.50
Austria	17.21 - 17.31	17.21 - 17.24	1½-2½grodis	-1.35	4⅞-7½dis	-1.44
Switzerland	2.2025 - 2.2165	2.2025 - 2.2125	¼-⅛cpm	1.02	¼-⅛pm	0.91
Ecu	1.2550 - 1.2595	1.2555 - 1.2565	0.39-0.45cdis	-4.01	1.13-1.27dis	-3.82

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.53-2.48pm 12 Month 3.98-3.88pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5630 - 1.5750	1.5650 - 1.5660	0.54-0.52cpm	4.06	1.43-1.40pm	3.62
Ireland†	1.6785 - 1.6880	1.6850 - 1.6860	3.35-2.45cpm	20.65	6.50-5.50pm	14.24
Canada	1.2725 - 1.2750	1.2740 - 1.2750	0.39-0.45cdis	-3.95	1.16-1.26dis	-3.80
Netherlands	1.7560 - 1.7680	1.7615 - 1.7625	0.79-0.84cdis	-5.55	2.21-2.31dis	-5.13
Belgium	32.10 - 32.30	32.20 - 32.30	14.00-16.00cdis	-5.58	40.00-44.00dis	-5.21
Denmark	6.0210 - 6.0720	6.0500 - 6.0550	6.00-13.00oredis	-18.84	16.00-24.00dis	-13.22
Germany	1.5600 - 1.5660	1.5650 - 1.5660	0.78-0.80pfdis	-6.06	2.17-2.19dis	-5.57
Portugal	139.90 - 140.50	140.40 - 140.50	155-165cdis	-13.67	435-470dis	-12.89
Spain	111.20 - 111.70	111.30 - 111.40	100-130cdis	-12.39	300-350dis	-11.67
Italy	1404.50 - 1412.75	1404.75 - 1405.25	12.20-13.70liredis	-11.06	35.70-38.20dis	-10.52
Norway	6.6950 - 6.7585	6.7325 - 6.7375	5.25-7.25oredis	-11.14	14.00-16.50dis	-9.06
France	5.3375 - 5.3700	5.3425 - 5.3475	4.00-4.50cdis	-9.54	11.00-11.60dis	-8.46
Sweden	6.9140 - 7.0450	6.9275 - 6.9325	4.00-5.00oredis	-7.79	11.00-12.00dis	-6.64
Japan	122.90 - 123.35	123.25 - 123.35	0.02-0.03ydis	-0.24	0.06-0.08dis	-0.23
Austria	10.9915 - 11.0400	11.0400 - 11.0450	4.85-5.25grodis	-5.49	13.60-14.70dis	-5.13
Switzerland	1.4000 - 1.4170	1.4095 - 1.4105	0.33-0.36cdis	-2.94	0.93-0.98dis	-2.71
Ecu†	1.2435 - 1.2515	1.2465 - 1.2475	0.85-0.83cpm	8.08	2.34-2.29pm	7.43

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Dec 18	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta.	Ecu
£	1	1.566	2.450	193.0	8.368	2.208	2.758	2200	1.996	50.50	174.0	1.256
$	0.639	1	1.564	123.2	5.344	1.410	1.761	1405	1.275	32.25	111.1	0.802
DM	0.408	0.639	1	78.78	3.416	0.901	1.126	898.0	0.815	20.61	71.02	0.513
YEN	5.181	8.114	12.69	1000.	43.36	11.44	14.29	11399	10.34	261.7	901.6	6.508
F Fr.	1.195	1.871	2.928	230.6	10.	2.639	3.296	2629	2.385	60.35	207.9	1.501
S Fr.	0.453	0.709	1.110	87.41	3.790	1	1.249	996.4	0.904	22.87	78.80	0.569
N Fl.	0.363	0.568	0.888	69.98	3.034	0.801	1	797.7	0.724	18.31	63.09	0.455
Lira	0.455	0.712	1.114	87.73	3.804	1.004	1.254	1000.	0.907	22.95	79.09	0.571
C$	0.501	0.785	1.227	96.69	4.192	1.106	1.382	1102	1	25.30	87.17	0.629
B Fr.	1.980	3.101	4.851	382.2	16.57	4.372	5.461	4356	3.952	100.	344.6	2.487
Pta	0.575	0.900	1.408	110.9	4.809	1.269	1.585	1264	1.147	29.02	100.	0.722
Ecu	0.796	1.247	1.951	153.7	6.662	1.758	2.196	1752	1.589	40.21	138.5	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
100	Nil	1/2	27pm	24pm	♦Learmonth & Burchett	[illegible]	
85	Nil	5/2	¼pm	¼pm	Lonrho	[illegible]	
25	P P	1/3	20	10	Property Trust	[illegible]	-1
240	Nil	27/1	53pm	43pm	Seton Healthcare	53pm	+6
465	Nil	19/12	145pm	120pm	Tibbett & Britten	145pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. ‡ Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimate. W Pro Forma figures. ¶ Issued by way of rights. † Introduction. § Placing price. ‡‡ Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 18	Dec 11		Dec 18	Dec 11
Bills on offer	£100m	£100m	Top accepted rate of discount	6.3975%	6.4176%
Total of applications	£445m	£435m	Average rate of discount	6.3875%	6.4176%
Total allocated	£100m	£100m	Average yield	6.4909%	6.5220
Minimum accepted bid	£98.405	£98.400	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	100%	100%	Minimum accepted bid 182 days	£96.800	£96.790

WEEKLY CHANGE IN WORLD INTEREST RATES

	Dec 18	change		Dec 18	change
LONDON			**NEW YORK**		
Base rates	7	Unch'd	Prime rates	6	Unch'd
7 day Interbank	7 1/16	Unch'd	Federal Funds	2¾	-⅛
3-month Interbank	7 3/16	+1/16	3 Mth. Treasury Bills	3.25	-0.06
Treasury Bill Tender	6.3875	-0.0301	6 Mth. Treasury Bills	3.44	-0.06
Band 1 Bills	6¾	Unch'd	3 Mth. CD	3.28	+0.01
Band 2 Bills	6¾	Unch'd	**FRANKFURT**		
Band 3 Bills	-		Lombard	9.50	Unch'd
Band 4 Bills	-		One mth. Interbank	9.175	+0.125
3 Mth. Treasury Bill	6 11/16	+1/32	Three month	9.100	+0.175
1 Mth. Bank Bills	6¾	Unch'd	**PARIS**		
3 Mth. Bank Bills	6¾	+1/32	Intervention Rate	9.10	Unch'd
TOKYO			One mth. Interbank	12¼	+1½
One month	3 13/16	-⅛	Three month	11⅝	+⅝
Three month	3 13/16	-1/16	**MILAN**		
BRUSSELS			One month	14 [illegible]	+[illegible]
One month	9	+⅛	Three month	14 [illegible]	+[illegible]
Three month	8⅞	+¼	**DUBLIN**		
AMSTERDAM			One month	20½	-2
One month	8.775	-0.1	Three month	17	-1½
Three month	8.66	-0.66			

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	7	NatWestminster	7
AIB Bank	7	Equatorial Bank plc	7	Northern Bank Ltd	7
●Henry Ansbacher	7	Exeter Bank Limited	8	Nykredit Mortgage Bnk	7.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	7
Bank of Baroda	7	●Robert Fleming & Co	7	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	7	Girobank	7	Royal Bk of Scotland	7
Bank of Cyprus	7	●Guinness Mahon	7	●Smith & Williamson Secs	7
Bank of Ireland	7	Habib Bank AG Zurich	7	Standard Chartered	7
Bank of India	7	●Hambros Bank	7	TSB	7
Bank of Scotland	7	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	7	Heritable & Gen Inv Bk.	7	●United Bk of Kuwait	7
Brit Bk of Mid East	7	●Hill Samuel	7	Unity Trust Bank Plc	7
●Brown Shipley	7	C. Hoare & Co	7	Western Trust	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Whiteaway Laidlaw	7
Citibank NA	7	Julian Hodge Bank	7	Yorkshire Bank	7
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk.	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross. Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. *Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

STOCK INDICES

	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 11	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2789.7	2740.3	2732.8	2717.9	2721.8	2716.2	2792.0	2281.0	2792.0	986.9
FT-SE Mid 250	2783.6	2728.8	2698.8	2680.4	2667.9	2662.0	2825.8	2157.8	2825.8	1379.4
FT-SE-A 350	1358.7	1334.0	1328.1	1320.5	1320.8	1318.0	1358.7	1103.1	1358.7	664.5
FT-A All-Share	1333.41	1309.31	1303.34	1295.90	1295.88	1293.13	1333.41	1086.13	1333.41	61.92
FT-SE Eurotrack 100	1050.25	1034.41	1036.62	1038.14	1041.18	1044.03	1200.27	937.42	1200.27	900.45
FT-SE Eurotrack 200	1136.56	1119.02	1117.67	1115.23	1116.33	1117.72	1248.79	1010.09	1248.79	938.62
FT Ordinary	2147.6	2092.5	2081.6	2067.3	2067.2	2062.8	2149.7	1670.0	2149.7	49.4
FT Government Secs.	93.73	93.67	93.57	93.50	93.71	93.64	95.54	85.11	127.40	49.18
FT Fixed Interest	109.02	108.96	108.61	108.76	109.01	108.94	110.26	97.15	110.26	50.53
FT Gold Mines	65.5	65.4	64.0	64.7	65.5	65.7	160.6	63.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Fri Dec 18 1992 US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	Thu Dec 17 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1992 High	1992 Low	Year ago (approx)
Australia (68)	123.03	-18.4	116.51	95.89	100.14	118.37	-10.3	4.11	121.29	114.28	94.42	98.53	118.97	153.68	108.18	146.46
Austria (19)	134.91	-19.0	127.76	105.15	109.80	110.00	-16.2	2.23	137.34	129.40	106.91	111.57	110.41	186.70	134.91	164.30
Belgium (42)	136.27	-5.6	129.05	106.20	110.90	108.37	-2.6	5.28	135.82	127.97	105.72	110.33	107.35	152.27	133.99	139.49
Canada (113)	115.11	-15.5	109.02	89.71	93.68	106.24	-6.9	3.19	114.49	107.87	89.12	93.00	105.62	142.12	111.36	130.23
Denmark (34)	197.81	-26.0	187.34	154.18	161.00	162.84	-24.1	1.68	198.80	187.32	154.76	161.49	162.98	273.94	181.70	260.99
Finland (15)	71.26	-8.7	67.48	55.54	58.00	76.71	+13.3	1.84	72.24	68.07	56.24	58.68	77.47	89.80	52.84	73.72
France (99)	145.28	-3.4	137.59	113.23	118.24	121.81	-0.4	3.70	143.54	135.24	111.73	116.59	120.23	168.75	136.93	139.78
Germany (64)	104.14	-11.2	98.62	81.18	84.76	84.76	-8.4	2.68	103.43	97.45	80.53	84.02	84.02	129.69	102.51	113.84
Hong Kong (53)	209.71	+18.9	198.60	163.44	170.69	208.28	+18.2	4.33	214.58	202.18	167.04	174.32	213.07	262.28	176.36	170.33
Ireland (16)	141.84	-15.5	134.33	110.55	115.44	118.57	-12.4	4.62	141.42	133.25	110.09	114.88	117.46	173.71	122.98	163.25
Italy (77)	54.04	-28.3	51.18	42.12	43.98	56.71	-12.3	3.66	53.29	50.21	41.48	43.29	55.86	80.86	47.47	71.43
Japan (472)	109.45	-19.4	103.65	85.30	89.09	85.30	-20.5	0.99	107.91	101.67	84.00	87.67	84.00	140.95	87.27	127.04
Malaysia (69)	264.84	+23.7	250.82	206.41	215.55	263.26	+17.3	2.52	263.26	248.05	204.93	213.85	261.34	282.42	212.49	206.50
Mexico (18)	1612.11	+15.9	1526.73	1256.48	1312.10	5495.78	+18.8	1.09	1602.34	1509.76	1247.34	1301.64	5472.97	1789.77	1185.84	1284.51
Netherland (25)	154.82	+1.4	146.62	120.67	126.01	124.51	+4.5	4.57	154.23	145.32	120.06	125.29	123.68	169.70	147.88	148.00
New Zealand (13)	41.68	-11.3	39.47	32.48	33.92	42.76	-7.4	5.22	41.91	39.49	32.62	34.04	42.85	48.52	37.39	44.90
Norway (22)	143.86	-19.5	136.24	112.13	117.09	131.51	-9.1	1.84	142.91	134.66	111.25	116.10	129.43	192.95	128.05	170.23
Singapore (38)	208.02	-5.3	197.01	162.13	169.31	157.22	-4.1	2.10	204.72	192.89	159.36	166.30	154.48	229.63	179.65	208.08
South Africa (60)	146.57	-41.1	138.81	114.24	119.29	155.33	-10.2	3.30	147.82	139.09	114.91	119.91	155.90	263.60	134.21	239.88
Spain (48)	121.24	-22.5	114.82	94.49	98.67	102.27	-10.7	5.89	120.31	113.36	93.66	97.73	101.17	161.72	107.10	146.51
Sweden (31)	166.15	-8.3	157.35	129.50	135.23	170.45	+14.7	2.30	159.99	150.75	124.55	129.97	164.67	200.28	149.69	167.69
Switzerland (60)	114.53	+14.1	108.46	89.27	93.22	100.11	+18.7	2.14	114.46	107.85	89.11	92.99	99.45	122.37	95.99	96.18
United Kingdom (226)	174.68	-5.7	165.43	136.13	142.16	165.43	+12.6	4.46	172.30	162.35	134.11	139.95	162.35	200.07	161.86	174.76
USA (522)	180.06	+6.0	170.52	140.35	146.56	180.06	+6.0	2.84	177.73	167.46	138.36	144.38	177.73	180.06	160.92	157.63
Europe (778)	137.26	-7.1	129.99	106.98	111.72	121.82	+3.7	3.86	135.83	127.98	105.74	110.35	120.10	156.88	131.31	140.16
Nordic (102)	151.84	-17.4	143.80	118.35	123.59	138.86	-3.5	2.07	148.60	140.01	115.68	120.71	135.88	188.52	141.24	175.21
Pacific Basin (713)	113.33	-17.4	107.33	88.33	92.24	90.25	-17.8	1.33	111.95	105.48	87.15	90.94	89.06	141.97	93.70	128.68
Euro-Pacific (1491)	123.01	-13.2	116.50	95.87	100.11	102.99	-9.4	2.48	121.61	114.58	94.66	98.78	101.59	145.21	113.80	133.57
North America (635)	176.04	+4.9	166.71	137.22	143.30	175.06	+5.4	2.85	173.81	163.77	135.32	141.22	172.84	176.04	158.70	155.68
Europe Ex. UK (552)	115.06	-8.0	108.98	89.71	93.68	98.31	-2.3	3.41	114.15	107.56	88.88	92.75	97.26	132.98	111.33	119.33
Pacific Ex. Japan (241)	151.44	+0.9	143.42	118.05	123.27	139.67	+3.8	3.61	151.65	142.89	118.07	123.21	139.90	175.31	146.06	144.87
World Ex. US (1682)	123.92	-13.6	117.35	96.59	100.86	104.99	-9.0	2.50	122.57	115.48	95.42	99.57	103.62	146.91	115.99	135.30
World Ex. UK (1978)	138.77	-6.2	131.42	108.16	112.95	124.36	-4.9	2.43	137.17	129.24	106.78	111.44	122.82	150.58	127.21	138.68
World Ex. So. Af. (2144)	141.97	-5.7	134.45	110.66	115.56	127.70	-3.2	2.64	140.28	132.18	109.21	113.97	126.03	153.05	130.04	141.18
World Ex. Japan (1732)	160.37	-0.3	151.88	125.00	130.54	152.78	+4.4	3.22	158.61	149.45	123.48	128.87	150.92	165.40	151.93	150.98
The World Index (2204)	141.89	-6.2	134.37	110.59	115.49	128.00	-3.2	2.64	140.22	132.11	109.16	113.91	126.33	153.70	130.66	141.82

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent change during the week ending 18/12/92: Deletion: Ranks Hovis McDougall (U.K.). **Constituent change with effect 21/12/92:** Jungbunzlauer (Austria).

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		20¼xd	1.6	60c	FeMyAuNv	9.10	1503
Allegheny & W	♥	433p	—	30c	-	-	-
Amdahl		441p	-4.5	10c	[illegible]	31.1	-
Amer Cyanamid		36⅛	-4.5	$1.88	MrJeSeDe	4.3	-
Amer Express		15⅞xd	1.2	$1.00	FeMyAuNv	28.9	1594
Amer T & T		31¼xd	-2	$1.32	FeMyAuNv	28.9	1597
Ameritech		45⅛	2.0	$3.68	FeMyAuNv	28.3	-
BankAmerica		29¼xd	-4.3	$1.30	FaJeSeDe	18.11	1744
Bankers NY		41⅞xd	-2.2	$2.80	ApJyOcJa	24.9	1745
Bell Atlantic		32⅞	7.3	$2.60	FeMyAuNv	4.7	-
BellSouth		33⅛	2.4	$2.76	FeMyAuNv	8.4	-
Bethlehem Steel	♥	9⅞xd	2.0	-	MrJeSeDe	6.2	1821
Bowater		1594pxd	-.4	$1.20	OcJaApJy	8.3	1884
CPC		28⅛xd	-3.3	$1.20	JaApJyOc	25.9	2263
Cadiz Land Inc	♥	115p	—	-	†	-	-
California Engy		1050p	—	-	-	-	-
Chase Manhattan		17¾xd	-1.1	$1.20	FeMyAuNv	28.10	2109
Chrysler		20¼xd	-3.0	60c	ApJyOcJa	10.12	2135
Citicorp		12⅜xd	1.0	-	-	23.10	2141
Colgate-Palm		36⅝xd	-2.7	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1258p	0.9	60c	[illegible]	31.5	-
Dana		30½xd	4.7	$1.60	MrJeSeDe	25.11	2306
Data General		748p	0.3	-	-	-	-
Decora Inds	♥	148p	—	-	†	-	-
Dun & Brad		38⅞	-1.3	$2.28	MrJeSeDe	13.2	-
Eaton		49⅛	—	$2.20	FeMyAuNv	2.2	2410
Ecolab		14⅝xd	—	70c	JaApJyOc	30.9	3046
FPL		22⅞xd	-.8	$2.44	MrJeSeDe	25.8	-
Fluor		28¼xd	-4.1	48c	JaApJyOc	17.12	2609
Ford Motor		25⅛xd	-8.1	$1.60	MrJeSeDe	27.10	2615
Gen Elect		54⅜xd	0.5	$2.52	JaApJyOc	2.12	2675
General Host	♥	585p	—	34c	†	13.12	-
Gillette		36⅞xd	-6.0	72c	MrJeSeDe	28.10	2695
Hasbro		20⅞	—	28c	FeApJyNv	1.8	-
Honeywell		43⅞xd	-.4	$1.78	MrJeSeDe	23.11	2919
Houston Inds		28⅛	0.2	$3.60	MrJeSeDe	10.11	-
IBM		33¼	-6.7	$4.84	MrJeSeDe	6.11	2986
Ingersoll-Rand		19¼xd	2.8	78c	MrJeSeDe	13.11	2879
Lockheed		34⅞	-1.8	$2.12	MrJeSeDe	15.2	-
Lowe's		1582p	10.8	28c	JaApJyOc	11.7	-

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Greenwich Res.	5¼	—	-	-	-	-	2773
Hemlo Gold CS	23½	1.6	020c	-	Dec Jun	8.11	-
Iwerais West IE	33	-5.7	-	-	-	-	-
Kells Minis IE	11	-15.4	-	-	-	-	3741
Kenmare	6¼	8.7	-	-	-	-	1453
Melinga Res.	17½	25.0	-	-	-	-	-
Naven Res IE	34	3.0	-	-	-	-	1185
Oryx Gold	46¾	—	-	-	-	-	3286
Plateau	38	—	-	-	-	-	3407
RTZ	584	4.1	19.5	1.5	Dec Jul	21.9	3880
Vizcaya	1½	20.0	-	-	-	-	4193

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses *but including estimated extent of offsettable ACT. Market Capitalisations are* published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend includes a special payment: Cover does not apply to special payment.
E Auction basis
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
K Dividend based on prospectus or other official estimates for 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.
N Dividend based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution

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The following changes have been made to the FT Share Information Service: Additions: Deletions: Fitch 6pc Cv. 2007 (Media), Ansbacher (H) (Merchant Banks), Futura and Stag Furniture (Miscellaneous).

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4 pm close December 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.3	18	927	11¼	d10⅞	11¼	-⅛
28½	16	A L Labs A	0.18	0.8	146	1038	23¼	22¼	23⅛	+1⅛
68¼	52⅞	AMP Inc	1.52	2.7	21	4094	56⅞	56⅛	56⅞	+1⅝
80¼	54⅞	AMR			12	5556	63⅞	62	63¼	+⅞
2⅝	1⅛	ARX			12	107	2	1⅞	1⅞	
53½	30½	ASA	2.00	6.1	21	366	33	32⅛	32¾	-⅛
34¼	26⅛	Abbott Lab	0.60	1.8	22	1837	32⅞	32⅛	32⅝	+⅜
13⅞	10⅜	Abitibi Pr	0.50	4.4	5	42	11¼	11	11⅜	+¼
11⅝	10⅛	ACM Gvt In x	0.94	8.7		139	10⅞	10¾	10¾	-⅛
10⅝	9⅛	ACM GvOpp x	0.73	7.7		104	9½	9⅜	9½	+⅛
9¼	8½	ACM Gvt Sp	0.91	10.3		389	8⅞	8¾	8⅞	+⅛
11⅞	9⅞	ACM Gvt Se	1.01	9.4		222	10¾	10⅝	10¾	+⅛
10⅝	8⅝	ACM Man x	0.96	9.6		240	10	9⅞	10	
12⅞	8⅜	ACM Mangd x	0.93	10.5		285	8⅞	8¾	8⅞	+⅛
11¼	4¾	Acme Cleve	0.40	4.7	16	219	8½	8¼	8½	+¼
6½	3¾	Acme Elect			112	101	6⅛	5⅞	5⅞	-⅛
33¼	14⅞	Acuson			12	853	16¼	16⅛	16⅛	
21	18⅛	Adams Exp	1.62	8.1	1	73	20	19¾	20	+¼
49⅞	29½	Ad Micro	3.00	6.4		268	47	45¾	46¾	+1⅛
21½	7½	Ad Micro P	3.00	16.4	6	1434	18⅜	18	18¼	+¼
9⅛	4⅞	Advest Grp	0.16	2.7	12	77	5⅞	5¾	5⅞	
42¼	33	Aegon ADR	1.35	3.2	7	23	41⅝	41¼	41⅜	
48⅞	38	Aetna Lf	2.76	5.9	13	2457	46⅞	46⅜	46⅝	
12¼	8⅜	Ahl A	0.24	2.1	15	1859	11⅝	11⅜	11⅝	+⅜
34¼	24	Aflac	0.44	1.3	15	998	34	33¾	33⅞	
19⅝	13	Ahmanson	0.88	5.5	7	2966	16¼	16	16⅛	+⅛
22½	4	Aileen Inc			14	374	8⅝	8¼	8½	
49½	36½	Air Pr Chm	0.86	1.8	16	3524	48¼	47⅞	48	+¼
29¼	12½	Airbrne Frt	0.30	1.6	103	319	19⅛	18½	18⅝	-¼
21½	11¼	Airgas Inc			31	386	20½	19¾	20½	+1¼
12¼	8¼	Airlease	1.60	14.4	8	32	11¼	11	11⅛	-⅛
104	99	AlaPw8.16	8.16	8.0		2	101	101	101½	
105	100¼	Alab 8.28C	8.28	8.0		z100	104	104	103	+½
11¼	10½	AlaPwDpPr	0.87	8.3		36	10½	d10½	10½	-⅛
23⅞	14¾	Alaska Air	0.20	1.2	5	434	16½	15⅞	16⅜	+½
27¼	11¼	Albany Int x	0.35	2.3	62	105	15	14⅞	15	
32	21¼	AlCulvr B	0.24	0.9	18	537	25⅞	25½	25½	

Continued on next page

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NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 18

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

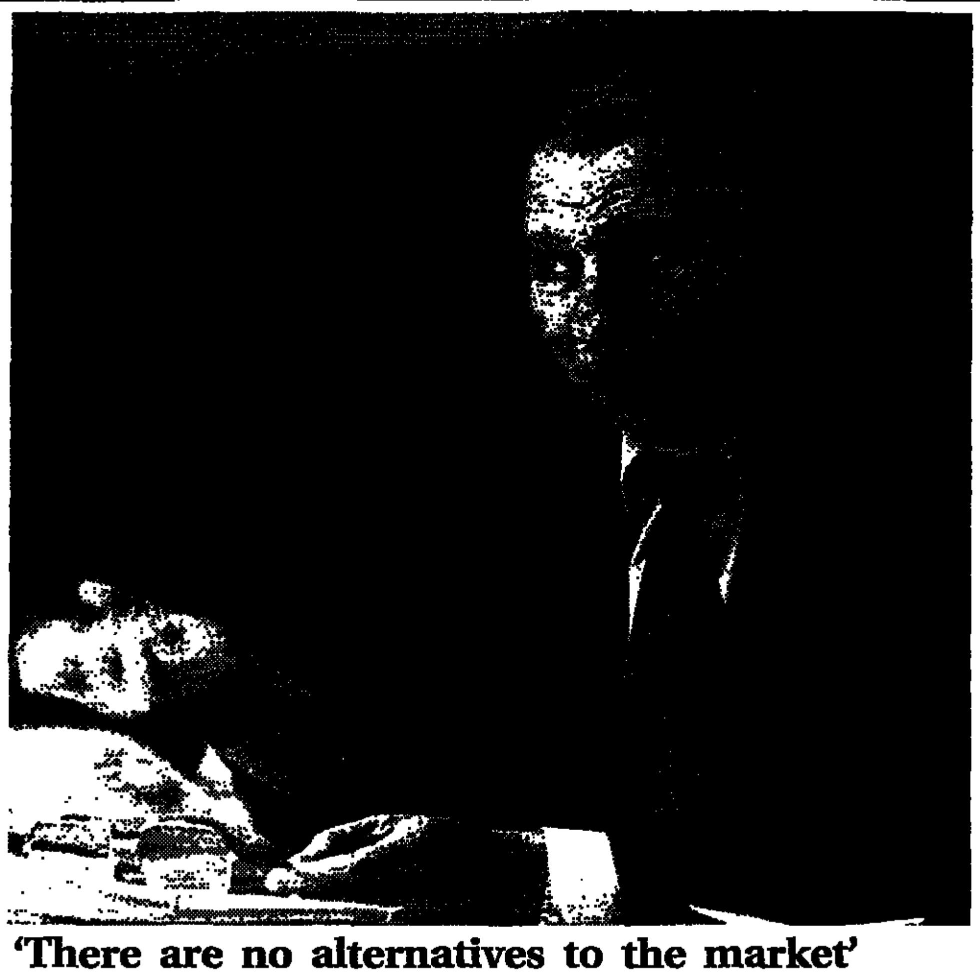
4 pm close December 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	32	1333	15¼	14⅞	15⅛	+¼
Perini	0.80	16	61	16¼	15½	16¼	+¼
Pet HBP x	1.14	11	54	16	15⅝	16	+⅝
Phil LD x	0.25	13	298	34	33⅛	33⅛	−⅝
Pitway A x	1.10	16	130	33⅞	33⅝	33⅞	+⅛
Ply Gem	0.12	24	90	12⅜	12	12¼	+¼
PMC	0.72	17	122	u13⅜	12¾	13⅜	+⅛
PresidioA	0.10	0	4050	¼	⅛	⅛	+1/16
Price Com		0	98	1/16	d0.05	1/16	
RB&W Cp		2	40	3	3	3	
RiedelEnv		11	38	7¼	6⅝	7¼	+⅜
SJW Corp	2.13	6	6	35½	35¼	35¼	
StanUnion		46	47	14⅜	14⅜	14⅜	−⅛
Sterl El	0.04	16	220	6¾	6⅛	6⅝	
TII Ind		19	258	2⅛	2	2⅛	
Tab Prods	0.40	39	15	12⅜	12⅛	12⅜	
TeleData x	0.32	52	684	40	39⅜	39⅜	−⅜
Thermedcs		130	137	11⅞	11⅜	11⅜	
Thermolns		32	180	u34¾	34¼	34¾	+½
Total Pet	0.40	15	218	6⅜	5⅞	5⅞	
TownCntry		0	639	2⅜	2¼	2¼	+1/16
Tubos Mex		7	631	5¾	5⅝	5¾	+⅛
UtdFoodsA		4	2	1 11/16	1 11/16	1 11/16	
UtdFoodsB	0.20	4	122	1⅞	1 11/16	1¾	+1/16
UnvPtnts		51	380	10	9	9¾	
US Cellul		91	53	21⅛	21	21⅛	+⅛
WangLab C		0	108	1 13/16	1¾	1¾	+⅛
WangLab B		0	1495	7/16	⅜	7/16	+1/16
Westbrid		117	289	5⅞	5⅝	5⅞	+⅛

MONDAY INTERVIEW

Rocket man flies new path

Leonid Kuchma, Ukrainian prime minister, speaks to **Chrystia Freeland**



'There are no alternatives to the market'

"There is no road back," says Mr Leonid Kuchma, the recently appointed Ukrainian prime minister, late one evening in his dark, wood-panelled office. "There are no alternatives to the market and even if someone were to try to recreate the old system it would lead to a complete catastrophe."

Mr Kuchma is the first Ukrainian prime minster to *stress the virtues of the free* market, and is steering a package of radical decrees through the government which could finally begin the painful process of building a new economic system.

Yet the driving force behind Ukraine's reforms is not a smooth graduate of western universities. Instead, as the former director of Iuzhmash, the world's largest rocket factory, Mr Kuchma is a product of the powerful, tightly controlled Soviet weapons industry.

One clue to Mr Kuchma's remarkable transformation from missile maker to market builder may lie in his rural roots. As a peasant's son growing up in central Ukraine, he was surrounded by the dispossessed kulaks, the once-prosperous peasants who made their nation the bread basket of Europe. Sixty years ago Joseph Stalin starved 6m of these stubborn and independent farmers before he succeeded in his drive to impose agricultural collectivisation in Ukraine. But in the person of Mr Kuchma, the kulaks may have the last laugh.

Does he want to rebuild the Ukrainian kulak class?

"Yes, absolutely. They were the people who wanted to work and knew how to work. We must create conditions so that a man can earn money honestly and now not be afraid of earning money," Mr Kuchma says. "Above all, we must rely on a new class of small property owners."

In many ways, Mr Kuchma thinks like his frugal, hardworking forefathers. His conversion to the market does not stem from any theory of capitalism but rather from a blunt assessment of the bottom line. In Mr Kuchma's view, Ukraine simply cannot afford not to reform.

"Soon we will become cannibals and begin to eat ourselves," *he says of Ukraine's* disastrous public finances. "Our national income is falling, yet public expenditure is rising catastrophically. Everyone must understand that we have no way out of this crisis other than to reform."

This realisation was singularly lost on Mr Vitold Fokin, the former head of central planning in Ukraine whom Mr Kuchma replaced as prime minister in October. Under Mr Fokin's stewardship the government issued more than *Rbs900bn in cheap credits to* the state sector, driving the budget deficit to more than 40 per cent of gross national product and pushing inflation to a monthly rate of more than 30 per cent in 1992.

Mr Kuchma's goal is to bring inflation down to an annual 5 to 6 per cent by the end of 1993.

To do that he and Mr Viktor Pinzenyk, the minister of the economy and architect of Ukraine's reforms, are piecing together a programme which aims to combine stabilisation with economic restructuring.

To stabilise the economy Mr Kuchma is pushing through several government decrees. He intends to liberalise most prices and to stop the practice of financing the budget deficit by printing money, and thus bring the deficit down to 9 per cent of GNP in 1993. He wants to restrict credit to the state sector and bring interest rates closer in line with inflation. A decree would also curb welfare payments by targeting the country's most needy groups.

"We understand perfectly well that you can do anything you like with financial policies alone," Mr Kuchma says. "But if the economy does not begin to work from below, if the enterprises do not begin to work, then that will not ever yield any real results."

Mr Kuchma is pushing for rapid privatisation at all levels, including a decree which, for the first time in Ukraine, will introduce full private ownership over a portion of agricultural land. The government is *calling for "forced"* privatisation of the retail and service sector and is backing an International Finance Corporation pilot privatisation programme in the western Ukrainian city of Lviv.

At a slower pace, Mr Kuchma also wants to privatise Ukraine's state enterprises and plans to convert them into joint stock companies as an *initial step. The cabinet has* already revoked a leasing scheme – through which workers could lease their *enterprises for a token fee* – which allowed industrial collectives, often in co-operation with managers, to block privatisation.

In the past, Ukraine's nascent private sector has been smothered by an onerous taxation system under which taxes could exceed 100 per cent of profits. Government decrees bringing the tax on profits down to 30 per cent and value-added tax down to 20 per cent are currently before the cabinet.

Will the departure of Russia's leading reformer, Mr Yegor Gaidar, *put the brakes* on Ukrainian plans? Not in Mr Kuchma's view.

He has made it a priority to seek an economic rapprochement with Russia, his main *concern being to restore trade* links with Ukraine's most important partner and to negotiate favourable prices for the Russian oil on which Ukraine is dependent.

But despite Russia's *importance* for Ukrainian trade, Mr Kuchma is confident that Ukraine can pursue an *independent economic course.* He is also convinced that Ukraine must launch its reforms before receiving significant aid from the west.

"We must hope that when our economy begins to stabilise the west will then believe that Ukraine is serious about reform," Mr Kuchma says. He believes that before wooing the west he must first win over his own people.

He has launched a campaign to convince Ukrainians "that what we want for them is good and not bad, and that there is no other way out of the crisis". He says he will seek a social contract with all Ukrainian political parties and trade unions which would place a moratorium on demonstrations and strikes in the inevitably contentious first months of reform.

Yet Mr Kuchma is also aware that the strongest opposition to reform is likely to be not on the streets of Kiev but in the intimidating, granite buildings which house the government.

In the short term, parliament, which has restricted its own right to pass economic legislation and granted Mr Kuchma sweeping economic powers for the next six months, seems to be prepared to back the government, although Mr Kuchma fears this *honeymoon will be short-lived.*

Mr Leonid Kravchuk, the president, could pose a more immediate threat and one which Mr Kuchma has delicately sought to neutralise. Mr *Kravchuk fought Mr Kuchma's* candidacy and appears to resent his growing power. Mr Kuchma has held out a co-operative hand in response.

At the moment, the prime *minister's fiercest opposition* comes from a third force, potentially more dangerous than the president or parliament. *Known colloquially as* the mafia, this powerful group straddles the government and private sectors. Mr Kuchma describes it as "a social class which is parasitic on the very sick economic body of Ukraine".

Having launched his premiership with a tough anti-corruption campaign, Mr Kuchma shrugs off Kiev rumours that the mafia poses a direct threat to his life. The round-faced, diminutive man who made his career building missiles seems undaunted both by warnings about the mafia and the prospect of populist opposition to his reforms.

"This is an elementary battle for power, that is clear and understandable. But the reform process has already begun and I think that it cannot be reversed," Mr Kuchma says. "After all, today, in the Ukrainian budget we have nothing apart from a gaping hole."

PERSONAL FILE

1938 Born in the village of Chaikino, Chernihiv region.
1960 Graduated from Dnipropetrovsk State University with a degree in engineering mechanics.
1960 Takes first job as engineer at Iuzhmash, a missile factory in Dnipropetrovsk.
1975-82 Secretary of the Communist party committee at Iuzhmash.
1986 Appointed director of *Iuzhmash.*
1990 Elected to the Ukrainian parliament from the city of Dnipropetrovsk.
Oct 1992 Ratified by parliament as prime minister.

Risk and reward in foreign policy

MICHAEL PROWSE
on
AMERICA

The ground rules of US foreign policy were once readily grasped. In military terms, the constant Soviet threat made the world bipolar and dangerous. The Pentagon could never relax. Economically, however, the world was unipolar. The US felt secure because no nation came anywhere near challenging its industrial or financial muscle.

As Mr Bill Clinton prepares to assume the presidency, these polarities have reversed. With the collapse of Soviet communism, the US is unchallenged as the world's sole military superpower. Yet the growing industrial strength of Europe and Japan (and soon, perhaps, China) has created a tense, multipolar economic world in which the main players seem unable to conclude even the relatively unambitious Uruguay Round trade talks. This radical reshaping of the foreign policy landscape creates great opportunities for *Mr Clinton, but also serious* risks.

The heartwarming presence of US troops in Somalia is the most potent illustration of the opportunities lying ahead. For the first time in recent US history (perhaps ever), a sizeable military intervention overseas was justified on purely moral grounds; troops were committed not in defence of US national interests, or to influence the strategic balance of power in Africa, but simply to help combat starvation.

This kind of intervention has always been favoured by a small cadre of foreign policy idealists, sometimes dubbed "neo-Wilsonians" after Woodrow Wilson, the president who tried but failed to persuade the US to underpin an ethical world order after the 1914-18 war. But in recent decades, the cold war played into the hands of the opposing school of "balance of power" realists. In the fight to contain communism, the argument went, the US had to put its strategic interests first. It thus propped up a stream of despots from the Shah of Iran to Ferdinand Marcos in the Philippines.

However, with the cold war over and US military strength unchallenged, there is no good reason why idealism should not play a larger role in foreign policy. There is no longer any excuse for coddling tyrants or making deals with foreign powers that are inconsistent with US domestic values.

Indeed, the domestic enthusiasm for the intervention in Somalia suggests that, in the absence of the communist threat, the most reliable way to sustain public support for large *military expenditures may* be to base foreign policy on values the public holds dear. In today's changed world, Mr Clinton is thus being a realist, as much as an idealist, in pledging to make the promotion of democracy and human rights the guiding principles for overseas interventions.

The risks ahead mainly reflect the tensions resulting from the US's relative economic decline. This has led a vociferous band of "economic nationalists" to argue that the US should abandon the broadly *laissez-faire* doctrines of the last four decades and "put the interests of its own industries first". The general idea is that the US public sector should join the battle for global commercial supremacy by heavily subsidising strategic industries, pouring huge sums into commercial research and development and retaliating unilaterally against nations that Washington deems guilty of unfair trading practices.

The degree to which Mr Clinton buys these arguments is uncertain. During the campaign he talked ominously of "mobilising" the nation for global economic competition. He has since fulfilled his promise to create a new White House economic security council (although the word security was wisely dropped from its title.) And he has nominated Ms Laura Tyson of the University of California as chair of his Council of Economic Advisers. Ms Tyson is sceptical of free market economics and advocates an aggressive industrial policy, involving subsidies for high-technology sectors.

The economic nationalists believe the US is in relative economic decline because it has lacked a national strategy. This is mostly a misreading of history. The whole point of the liberal international economic order created after the second world war was to create conditions in which Japan and Europe could stage a lasting industrial recovery. That recovery was inevitably going to mean relative decline for the US. But had the US tried to keep other countries poor, it would also be much poorer in absolute terms today.

The liberal capitalist vision is of economic competition between individuals and companies, not of competition between nations per se. Small countries can flout the rules and become economic nationalists without endangering the larger liberal order. But if the US took this route, the results could be catastrophic. If the US started to subsidise strategic industries heavily and play God in trade disputes, Europe and Japan would feel obliged to follow suit. There is no obvious point at which such overt economic warfare would stop.

It is easy to find flaws in free market policies. On any given occasion, interventions favouring US industries are likely to look superior. Over time, however, a global descent into economic nationalism would cause economic relations between nations to deteriorate, ultimately increasing the risk of military conflict. If Mr Clinton were to get his economics wrong, he could ruin any chance of creating a new world order based on democracy and respect for human rights.

Common thread of reform

IAN DAVIDSON
on
EUROPE

The separation of Prince Charles and Princess Diana, we are told, will have no constitutional consequences for the UK. Some people have found it difficult to believe these assurances, even though they have been pronounced with the greatest solemnity in the House of Commons by the prime minister. Indeed, it is difficult to believe something which is impossible, especially if (like Alice in Wonderland) one is out of practice in believing impossible things. We should just recall the first rule of British official doxology, that no part of the constitution (whatever that may be) can ever be changed, for fear that the whole of it should have to be changed immediately.

In other European countries people are less rigid about these things. As a matter of fact, constitutional reform is in *the air in several European* countries this Christmas, most notably in France, Germany and Italy. In each of these three countries the changes adopted or under discussion should improve the effectiveness of their parliamentary democracies.

It is not a coincidence that constitutional reform is now under way in these countries. Directly or indirectly, the common thread is Europe. France and Germany have reformed or are reforming their constitutions to adapt to the requirements of the Maastricht treaty, including achieving the objec*tive of economic and monetary* union (Emu). But in the process, they are also introducing extra changes which will strengthen the role of their national parliaments.

In addition, President François Mitterrand has also called for discussion of a second and quite separate set of constitutional reform proposals, along lines he first elaborated a year ago. Critics say that his main objective is to embarrass the opposition in the run-up to the March elections; yet his proposals should strengthen the role of the parliament and might reduce the overweaning *role of the French president.*

The Italian context appears quite different. The heart of its problem is a system of political parties through which patronage and corruption have brought public finances to the verge of bankruptcy and the state to the edge of the abyss. The longstanding parliamentary monopoly of the dominant Christian Democrats and their revolving coalition partners on the centre-*left* was deeply shaken in the April general elections. Soon afterwards, the feudal powers of the parties were severely weakened by judicial revelations of wholesale corruption. The power of the Lombard League party, which denounces the decadence of the traditional political establishment and challenges the integrity of the Italian state, is growing fast.

It may be thought that Italy's political bosses had it coming to them, sooner or later. Yet the European nexus has also played its part. The most consistent consensus in Italy is on the central importance of the EC. If Prime Minister Giuliano Amato is managing to make heroic cuts in the budget deficit, it is partly because failure to do so would keep Italy out of Emu.

When the constitutional reform plan is finally hammered out, it will probably include limits on proportional representation in an effort to stem political fragmentation, as well as reform of parliamentary rules to strengthen government decision-making. But the most interesting idea under discussion would be a move towards a more federal system, in which the competences of the national state would be explicitly defined, and the regions would be given taxation powers to run everything else.

In France and Germany, the national parliaments have used the pressure to ratify the Maastricht treaty as a lever to seize more powers for themselves. The French government will be required to table proposals for EC legislation, on which the National Assembly and the *Senate would be able to* pass resolutions. The Senate has also secured a veto over the granting of votes to EC citizens in French local elections.

The German parliament has laid down that any move towards European union must secure a two-thirds majority in both the Bundestag and the Bundesrat. The European committee of the Bundestag will have to be consulted on all proposals for Community legislation; and the Bundesrat has gone even further than the French Senate, by securing the right to be consulted whenever the provincial responsibilities of the *länder* are affected. Finally, the Bundestag can stop any move to a single European currency if the house is not satisfied that the treaty conditions have been met.

In France, public comment (and private mockery) have focused on President Mitterrand's proposals to shorten the presidential term, which is currently seven years. In the event, however, he has timidly suggested a six-year term, *which will change little.* More interesting is a proposal to spell out explicitly the respective policy responsibilities of the president and the government, which should limit the temptations for the president to behave like an absolute monarch.

The European thread in all these reforms is clear. The Maastricht model for the next phase of European integration would require unprecedented assent from Europe's voters. The French and Danish referenda, and polls in other countries, show that popular support is either lacking or *ambivalent. Most parliaments* have manifestly fallen short, or have not been allowed to act, as the interface between the Community and the electorate. If there is a democratic deficit, it cannot be filled by the European Parliament. Therefore the national parliaments must play a bigger role in providing political legitimacy. And about time too.

CROSSWORD

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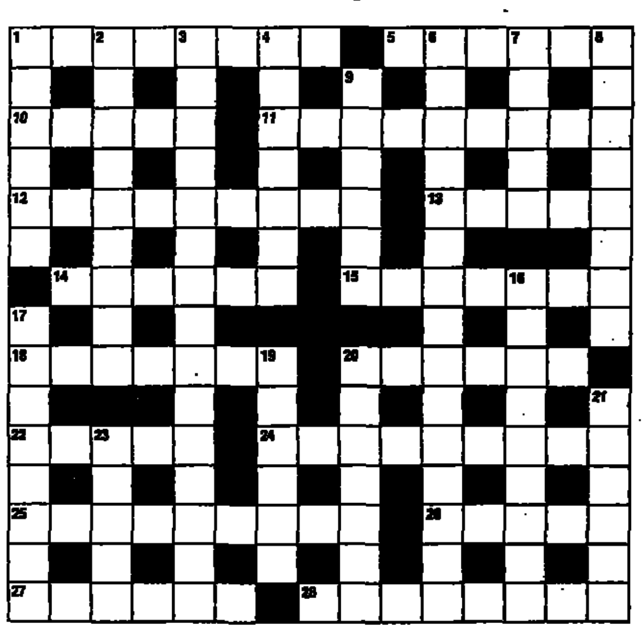

ACROSS

1 Spot a complicated clue – but it's of little matter (8)
5 Song that's naughty – everyone joins in (6)
10 Odd number seen to be divided by five (5)
11 Over and over it goes! (5,4)
12 Vegetable makes Rita *squirm* and splutter (9)
13 The end of an extraordinary love-game (5)
14 The very thing is left out (6)
15 Fired with real reform and no exaggeration? (7)
18 I'd colic; ruptured appendix? (7)
20 Pictures a mince pie (6)
22 Human being upset prophet (5)
24 Hides from the kids (9)
25 Cannon to right and left of one, by decree (9)
26 Rumour I don't spread (2,3)
27 It's evenly distributed as a name for either sex (6)
28 A ventriloquist's rehearsal? (5,3)

DOWN

1 Islam's new religious book (6)
2 Spiritually uplifted (9)
3 Guilt-edged security? (10,5)
4 Leave one's pad, having to use the stairs? (4,3)
6 When it's rough, choice of wine is unimportant (3,4,2,1,5)
7 Nothing to do at this end (5)
8 Not free of tax but ideal otherwise (8)
9 Get a severe test for taking notes into examination (6)
16 Note to jog the memory about a balance (9)
17 Start of play (5,3)
19 The story of Achilles' heel? (6)
20 Cat is given water in French country house (7)
21 Could be it is an indigo compound (6)
23 Bound to be shifty (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 2.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

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